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PENNSYLVANIA BUSINESS SURVEY

College of Business Administration The Pennsylvania State University **November 1986**

ECONOMY CONTINUES ON ERRATIC PATH

Despite a level of employment that has remained at or near an all-time high throughout much of the first nine months of the year, **the health of the Pennsylvania economy is debatable.** For every piece of positive news it seems that a counteracting negative signal is not hard to find. We see a fairly robust service-producing sector alongside a slumping manufacturing base. Strong growth in the southeastern portion of the State exists in the face of relatively sluggish activity elsewhere. There is a disturbing unemployment problem in the Commonwealth's black population relative to the white population. In that we see the positive signals just slightly outweighing the negative ones we expect more of the same type of moderate, but uneven, growth. **Given all of the "ifs" and "howevers" in the outlook, it appears unlikely that the economy will generate enough strength to move onto a higher growth track.**

A look at the coincident indicators index for Pennsylvania illustrates the "up-and-down" nature of the economy. Designed to mirror overall trends in the economy, the index rose in two of the first three months of the year before declining each month during the second quarter. After holding steady in July, the index rose slightly in August before declining during September. Recent behavior in the Pennsylvania leading index points toward a continuation of these erratic trends. Following two months of decline, the index rose in both March and April. Three consecutive declines were then recorded prior to a fairly strong increase in August. September brought with it another slight decline.

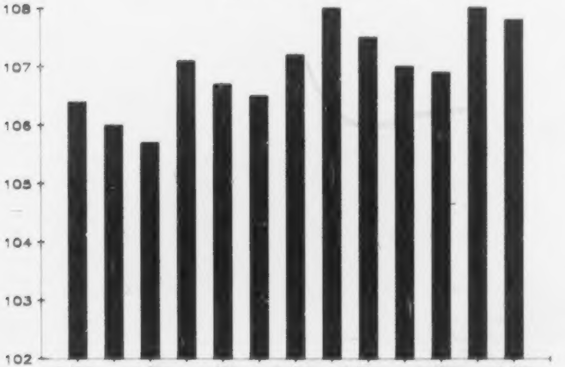
Some of the strongest sectors in the State's economy slowed somewhat during September. As measured by the value of contracts awarded, **construction activity was off in September.** Awards were valued at $619.4 million after seasonal adjustment for a monthly decline of 16.7 percent. The slowdown was widespread as evidenced by the decline in contract values in all three construction categories: residential, nonresidential, and nonbuilding. However, over the course of the year, all three sectors have moved ahead nicely. Through the first nine months of the year, total construction awards are up 27.2 percent.

The leader of the economy has been the service-producing sector. However, activity in these industries appeared to pause in September when jobs dipped slightly. The decline was probably the result of strike activity in the education sector. **Although it is expected that a good deal of all new jobs will be generated in these industries, the fact that job growth has been tailing off is perhaps a signal that we should not take this job growth for granted.**

The most troubling aspect of the State's economy has been consistent weakness in manufacturing. Job levels have been on a fairly continuous decline for about the last two years. At a seasonally adjusted 1.04 million, the number of positions in these establishments sank to another all-time low in September in dropping 1,100 from August. Other indicators of manufacturing's health, such as the average workweek, total hours worked, and total payrolls, essentially held steady, providing further evidence of sluggish activity.

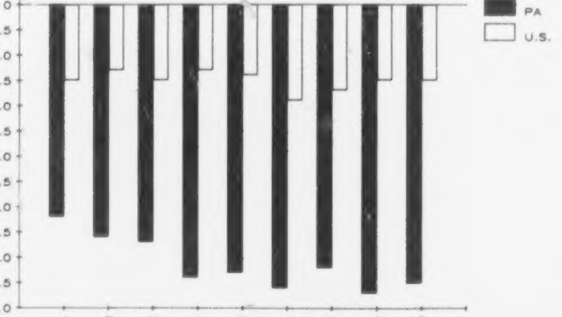
Manufacturing's difficulties have especially held back the durable goods industries. Compared to a year ago, job levels in these establishments have been off anywhere from four to six percent each month this year in Pennsylvania. The largest decline in the nondurable goods industries was 2.7

PENNSYLVANIA COMPOSITE INDEX OF LEADING INDICATORS (JAN 1972=100)

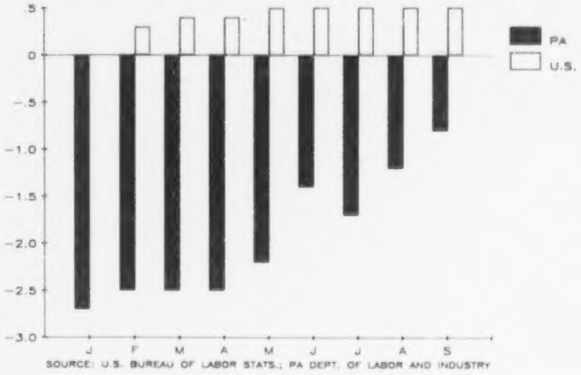


SOURCE: THE PENNSYLVANIA STATE UNIVERSITY, COLLEGE OF BUSINESS ADMINISTRATION

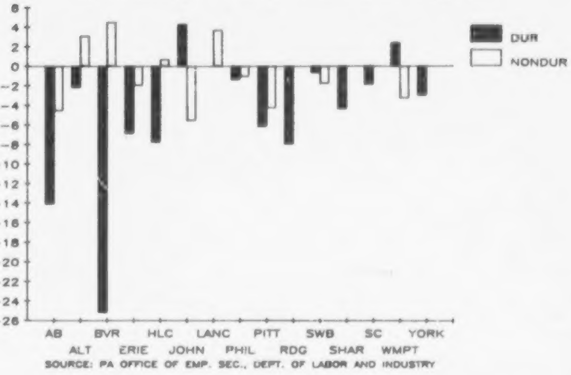
U.S. AND PA DURABLE GOODS JOB GROWTH, JAN 1986–SEPT 1986 (percentage change from year-ago month)



SOURCE: U.S. BUREAU OF LABOR STATS.; PA DEPT. OF LABOR AND INDUSTRY


U.S. AND PA NONDURABLE GOODS JOB GROWTH, JAN 1986–SEPT 1986
(percentage change from year–ago month)

SOURCE: U.S. BUREAU OF LABOR STATS.; PA DEPT. OF LABOR AND INDUSTRY


METRO DURABLE AND NONDURABLES JOB GROWTH, 1986 YTD
(percentage change from year–ago)

SOURCE: PA OFFICE OF EMP. SEC., DEPT. OF LABOR AND INDUSTRY

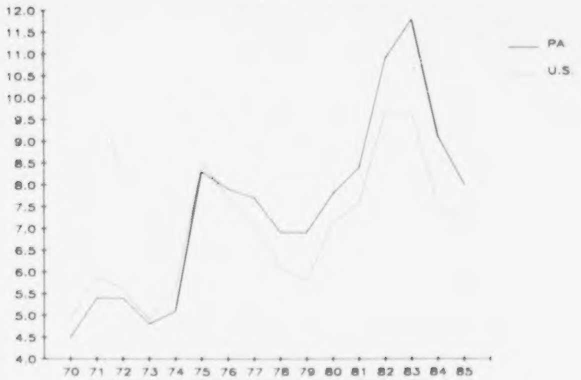
percent (see accompanying charts). Three points deserve mentioning. First, it appears as if the situation in nondurable goods is improving. The declines that have occurred each month are getting smaller. Such improvement is not apparent on the durable goods side. Second, **the Commonwealth's manufacturing establishments are having a rougher time than those in the U.S.** In percentage terms, job losses in Pennsylvania's durable goods industries have been more than twice as large as in the nation. While Pennsylvania has been suffering job declines in nondurable goods industries, the na-

Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1986		1985	1986		1985	1986		1985
	August	*Sept.*	*Sept.*	*August*	*Sept.*	*Sept.*	*August*	*Sept.*	*Sept.*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	4,842*	4,858	4,785	4,825	4,825	4,753	105.7*	105.7	104.1
Nonmanufacturing									
No. of wage and salary jobs (thous.)	3,790*	3,803	3,693	3,786	3,786	3,677	117.4	117.5	114.1
Manufacturing									
No. of wage and salary jobs (thous.)	1,046*	1,045	1,084	1,040	1,038	1,076	77.5*	77.4	80.2
Ave. wkly. hrs. worked by prod. workers	40.2*	40.5	40.0	40.4*	40.4	39.9	102.1*	102.2	100.9
Total wkly. person-hours worked (mils.)	28.3*	28.6	29.5	28.3*	28.3	29.2	73.8*	73.7	76.0
Total wkly. payroll (mil. dols.)	274.8*	279.5	282.4	275.9*	277.0	279.7	122.8*	123.3	124.5
Steel production (thous. tons)	581	549	898	n.a.	n.a.	n.a.	30.0	29.3	47.7
Industrial electric power sales (mil. kwh)	3,341	3,515	3,563	3,302	3,470	3,496	89.4	94.0	94.7
Mining									
Anthracite coal (thous. net tons)	325	328	281	280	317	266	57.2	64.8	54.5
Bituminous coal (thous. net tons)	4,609	n.a.	5,136†	4,322	n.a.	4,686†	61.3	n.a.	66.4†
Construction contracts awarded (mil. dols.)									
Total	794.2	655.6	602.2*	744.0	619.4	562.9*	231.3	192.5	175.0*
Residential building	404.7	308.0	286.2*	333.4	296.2	270.5*	236.9	210.5	192.2*
Nonresidential building	198.3	225.5	175.8*	199.7	195.3	154.6*	184.0	180.0	142.5*
Nonbuilding (utilities and public works)	191.3	122.1	140.2*	210.9	127.9	137.8*	291.0	176.5	190.1*
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,390	5,278	5,170	5,267	5,234	5,126	109.6	108.9	106.7
Unemployed									
No. of persons (thous.)	364	362	393	380	394	425	94.7	98.3	106.0
Rate (percentage of labor force)	6.3	6.4	7.1						
Rate, seasonally adjusted				6.6	6.9	7.7			
Civilian labor force, no. of persons (thous.)	5,754	5,640	5,563	5,647	5,628	5,551	108.5	108.1	106.6
Initial claims for unemployment benefits	82,335	90,001	94,471	104,420	106,642	117,353	72.9	74.5	82.0

Consumer Prices, all items	Urban Indexes (1967 = 100)			Percentage Change	
	1986		1985		
	August	*Sept.*	*Sept.*	*Month Ago*	*Year Ago*
U.S. city average	328.6	330.2	324.5	+0.5	+1.8
Philadelphia	323.1	325.8	316.5	+0.8	+2.9
Pittsburgh	330.1	n.a.	325.9†	n.a.	+1.3
Northeast PA	n.a.	311.3	306.8	n.a.	+1.5

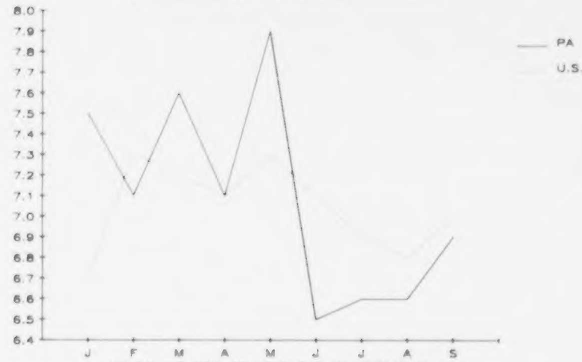
NOTES: Data on employment, payrolls and hours have been revised to first quarter 1985 benchmarks.
[1] Total includes workers on strike. * = figure revised † = figure for August 1985 n.a. = data not available
SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

U.S. AND PA UNEMPLOYMENT RATES, 1970–1985
(percent)



SOURCE: U.S. DEPT. OF LABOR, BUR. OF LABOR STATS.

U.S. AND PA UNEMPLOYMENT RATES,
JAN 1986– SEPT 1986
(seasonally adjusted; percent)



SOURCE: U.S. DEPT. OF LABOR, BUR. OF LABOR STATS.

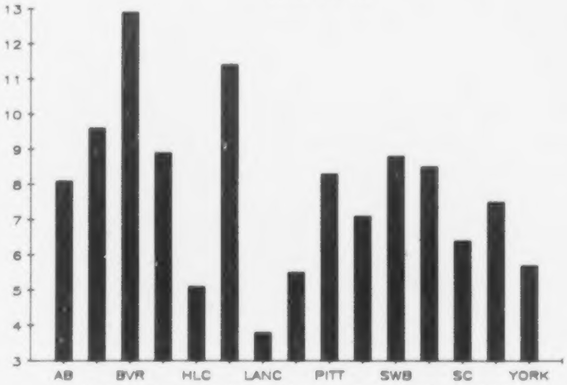
tion has been realizing slight increases. Third, the relatively strong performance of the nondurable goods industries relative to the durable goods sector is evident in nearly all metropolitan regions around the Commonwealth.

Two once-dominant Pennsylvania industries, steel and coal, continue having their share of problems. Although the figures are somewhat distorted due to a major work stoppage and should be handled with caution, output from the State's steel mills is down about 15 percent so far this year. Through the first seven months of the year, which would not include data distorted by the strike, output was off 9.4 percent. Anthracite coal production is off 1.6 percent while bituminous coal output is down 2.5 percent.

Although the situation worsened slightly in September, **the news on the employment/unemployment front so far this year has been fairly positive.** Resident employment has been up while unemployment has declined. As the accompanying charts show, the jobless rate in the Commonwealth has moved below the nation's during the last several months, reversing a situation where the State's unemployment rate was above the nation's for several years. In that the U.S. appears to be narrowing the gap, **it will be interesting to see if Pennsylvania can maintain its advantage through the remainder of the year.** (Pennsylvania's unemployment rate was 0.3 percentage point below the nation's in July, 0.2 point below in August, and 0.1 point below in September.) All told for September, the jobless rate rose 0.3 percentage point in Pennsylvania to 6.9 percent, seasonally adjusted. The number of residents counted as employed dropped by about 35,000 to 5.23 million and the number of unemployed rose by approximately 15,000 to over 390,000. As shown in the accompanying chart, the regions with the lowest jobless rates are concentrated in the southeastern portion of the State. Recent behavior in initial claims for unemployment benefits fail to point toward any significant upward or downward pressure on unemployment in the near future.

— *William D. Anderson*

METROPOLITAN AREA UNEMPLOYMENT RATES,
1986 YTD
(percent)



SOURCE: PA OFFICE OF EMP. SEC., DEPT. OF LABOR AND INDUSTRY

Housing Permits Report

One of the bright spots in the Pennsylvania economy, residential construction, remains strong. The number of housing units authorized in permit issuing places during the third quarter, at 17,867, represents a gain of 40.9 percent from the same period a year ago. Single-unit structures showed an equally strong gain of 37.5 percent. So far this year, 42,122 houses have been authorized in Pennsylvania for a 20 percent gain from 1985. Of these, 35,313 were single-unit structures for a 25.5 percent annual advance.

Newly authorized housing units during the third quarter were valued at $978.2 million in the Commonwealth, up 59.4 percent from the same period last year. There was a 60 percent gain in the value of permits for single-family units. On a year-to-date basis, the value of all residential permits rose 35.8 percent, while single family permits increased by 41.3 percent in value on an annual basis. (Comparisons between these valuation figures, which deal strictly with new housing, and the construction contract awards data used elsewhere in the *Survey*, which include additions and improvements, should be avoided.)

Most indicators of residential construction activity suggest that this sector is somewhat stronger in Pennsylvania than in the nation as a whole. For instance, so far this year total housing units authorized in the U.S. show just a 3.3 percent advance from a year ago, with single-family structures up 13.9 percent. This is surprising given some of the difficulties facing the Pennsylvania economy, such as weak population and income growth.

Many analysts believe that housing activity will soon slow. They doubt that recent growth rates can be maintained, though they expect activity will still remain at a fairly high level.

Pennsylvania Housing Units Authorized In Permit Issuing Places

	Total	Pct. change from yr. ago	Single units	Pct. change from yr. ago
1986:IIIQ	17,867	40.9	14,165	37.5
1986:IIQ	16,399	12.6	14,352	20.9
1986 YTD	42,122	20.0	35,313	25.5

Source: U.S. Dept.of Commerce, Bureau of the Census

Value of Pennsylvania Housing Units Authorized In Permit Issuing Places (thousands of dollars)

	Total	Pct. change from yr. ago	Single units	Pct. change from yr. ago
1986:IIIQ	978,242	59.4	852,837	60.0
1986:IIQ	926,199	30.0	850,001	35.4
1986 YTD	2,315,968	35.8	2,082,454	41.3

Source: U.S. Dept. of Commerce, Bureau of the Census

Around the State

Northeastern Quarter

Allentown-Bethlehem

Economic activity in the Allentown-Bethlehem region moved ahead moderately in the third quarter as the construction and service-producing industries remained strong alongside a weak manufacturing sector. On a year-to-date basis, both residential and nonresidential construction contract awards have shown nice gains from a year ago in rising 33 and 85 percent, respectively. The number of jobs in the construction industry, at 10,600 on an average monthly basis so far this year, is up 1,200 from the first nine months of 1985.

Jobs in the region's nonmanufacturing establishments have been on an upward trend since the early 1980s. Job levels have increased in eight of the nine months this year, settling at a seasonally adjusted record-high of 184,500 in the third quarter. The two largest employers in this group, services and trade, both show gains in excess of 6 percent on a year-to-date basis.

Whereas nonmanufacturing job levels rise to new highs virtually every month, jobs in manufacturing establishments sink to new lows. There were a seasonally adjusted 77,800 manufacturing positions in this year's third quarter, down 2,100 from the previous quarter. Manufacturing is of utmost importance to the region's economy. It accounts for a third of all jobs compared to a 23 percent share in the State. Furthermore, the sector is dominated by those industries having more than their fair share of problems. The two largest industries are apparel and primary and fabricated metals. Jobs in the apparel industry are off 12.2 percent so far this year while metals jobs are down 9.6 percent.

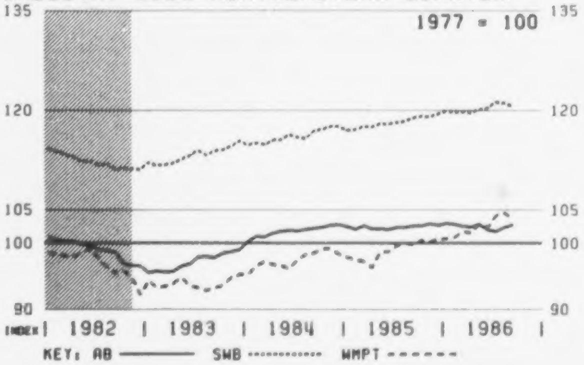
Some of the decline in manufacturing jobs is the result of intense foreign competition. However, a slight upward trend in electricity sales to industry, a good barometer of industrial activity, suggests that production is at least holding steady. During the third quarter, electricity sales were up 2.2 percent from the second quarter. This suggests that a portion of the job loss may be the result of a switch to production processes requiring less labor.

Although the region's economy has improved greatly from the early 1980s, the 1.1 percentage point drop in the unemployment rate to 7.1 percent after seasonal adjustment in the third quarter exaggerates the economy's underlying health. The decline, which left the jobless rate at its lowest level since 1980, was not the result of any gains in employment, but occurred because of a drop in the labor force. The number of residents in the labor force dropped by 5,500. Coupled with a decline of 1,500 in the number of employed to 292,400, seasonally adjusted, this helped push down the number of unemployed by about 4,000.

Scranton-Wilkes-Barre

The economy of the Scranton-Wilkes-Barre region continued on a slow and uneven upward trend during the third quarter. At a seasonally adjusted 8.4 percent, the jobless rate was the lowest since 1978:IIQ. Third quarter's 0.6 percentage point decline came about as resident employment rose by 400 to a record-high of 314,300, seasonally adjusted. A new record has been set in seven of the last eight quarters. The number of residents counted as unemployed dipped by a seasonally adjusted 1,700. This implies a net outflow from the labor force of 1,300 individuals during the quarter.

INDUSTRY JOBS NORTHEASTERN QUARTER



SHADED AREA REPRESENTS PERIOD OF NATIONAL RECESSION

Allentown Bethlehem Area[1]

	Ave. mo. value 3 Q.'86	Average monthly index seas. adj. (1977 = 100) 3 Q.'86	2 Q.'86	3 Q.'85
Employment *(in thousands)*				
Employed, no. of residents	297.9	107	107	106
Unemployed, no. of residents	22.4	107	126	116
Rate, seasonally adjusted	7.1			
Civilian labor force, no. of residents	320.3	107	108	107
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	263.5	102	102	102
Nonmfg. only, no. of jobs	184.9	124	123	118
Mfg. only, no. of jobs	78.5	72	74	81
Hrs. worked by production workers in mfg., *ave. weekly*	39.1	102	101	103
Industrial electric power sales				
Metropolitan area	•••	109	107	109
Allentown	•••	97	99	104
Bethlehem	•••	117	114	113
Easton	•••	104	102	99

Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd
Residential contracts only	228.0	+33
Nonresidential contracts only	137.4	+85

[1] Lehigh, Northampton, and Carbon Counties, Pa., and Warren County, N.J.

During the first nine months of the year, the improvement in the employment/unemployment situation in the region was very similar to that in the State. Compared to the same period in 1985, employment grew by 3.2 percent, a gain strong enough to absorb a 2.1 percent gain in the labor force and reduce the number of unemployed by 8.1 percent.

Gains in the nonmanufacturing sector have been quite impressive. Jobs in these industries increased for the 16*th* time in 17 quarters in rising by 2,100 to a record-high of 209,200 after seasonal adjustment. Service-producing industries are leading the way. Within this group, jobs in trade have grown by 2.4 percent so far this year relative to 1985; those in finance-related fields by 5.6 percent; and those in services by 6.6 percent. For nonmanufacturing as a whole, job levels are up 3.4 percent on a year-to-date basis, identical to the State's gain.

Unfortunately, this strength has not spread to the region's manufacturers where job levels fell for the sixth time in seven quarters. At a seasonally adjusted 72,400, the number of positions in these industries was off by 100 from the second quarter. For the year, jobs are off by 1.5 percent. The region's manufacturing sector is dominated by the apparel industry, which has been especially hard-hit by a surge in foreign competition. So far this year, 6 percent of the industry's jobs have been lost. Manufacturing's difficulties are also reflected in the sluggish trend in the average workweek and industrial electricity sales.

Based on the value of contracts awarded, construction activity in the region is up. On a year-to-date basis, the value of residential awards grew 14 percent compared to 1985, while nonresidential awards advanced by 47 percent. Construction jobs have averaged 11,000 per month, up from 10,500 during the first nine months of 1985.

Scranton-Wilkes-Barre Area[1]

	Ave. mo. value 3 Q.'86	Average monthly index seas. adj. (1977 = 100) 3 Q.'86	2 Q.'86	3 Q.'85
Employment *(in thousands)*				
Employed, no. of residents				
Metropolitan area	321.5	111	111	108
Lackawanna County[2]	99.1	107	107	105
Luzerne County[3]	148.8	108	108	106
Unemployed, no. of residenis				
Metropolitan area	28.2	90	95	97
Rate, seasonally adjusted	8.4			
Lackawanna County[2]	8.0	81	82	85
Luzerne County[3]	15.0	93	105	102
Civilian labor force, no. of residents				
Metropolitan area	349.7	109	109	107
Lackawanna County[2]	107.1	105	104	103
Luzerne County[3]	163.9	106	108	106
Local industries, Metropolitan area *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	283.7	108	107	106
Nonmfg. only, no. of jobs	211.3	118	117	114
Mfg. only, no. of jobs	72.4	87	87	88
Hrs. worked by production workers in mfg., *ave. weekly*	38.1	n.a.	n.a.	n.a.
Industrial electric power sales				
Metropolitan area[4]	•••	107	108	101
Lackawanna County[2]	•••	118	121	108
Luzerne County[3]	•••	96	95	95
Hazleton	•••	89	87	88
Wilkes-Barre	•••	99	100	97

Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd
Residential contracts only	173.6	+14
Nonresidential contracts only	85.6	+47

[1] Columbia, Lackawanna, Luzerne, Monroe, and Wyoming Counties
[2] Includes Scranton
[3] Includes Wilkes-Barre and Hazleton
[4] Excludes Wyoming County

Williamsport

Driven by gains in the nonmanufacturing sector, the Williamsport regional economy remained on a fairly healthy growth track in the third quarter. The 32,800 jobs in these industries after adjustment for normal seasonal variation during the July-September period represent a record-high. Nonmanufacturing job levels have increased almost continuously for two years. So far this year, they are up 5 percent compared to a year ago, which compares favorably to the State's 3.4 percent advance.

Jobs in the largest industry, trade, have increased 6.9 percent between the first nine months of 1985 and the same period in 1986. Another big gainer is services, where jobs advanced by 5.7 percent over the same period.

As elsewhere in the State, construction activity is also up in the Williamsport region. The value of contracts awarded during the first three quarters of 1986, at $16.5 million on the residential side, show a gain of 17 percent over 1985. Nonresidential contract values grew by 68 percent to $38.7 million.

The region's manufacturing sector is showing some gains, which is certainly a positive sign given the situation elsewhere. The seasonally adjusted 15,100 jobs in these establishments during the third quarter was unchanged from the April-June period. During the first nine months of this year, sectoral jobs have increased by 2.7 percent from a year ago, which compares quite favorably with the 3.8 percent decline in the Commonwealth.

Electricity sales to industry, a good barometer of industrial production, fell slightly in the third quarter. However, sales

Williamsport Area[1]

	Ave. mo. value 3 Q.'86	Average monthly index seas. adj. (1977 = 100) 3 Q.'86	2 Q.'86	3 Q.'85
Employment *(in thousands)*				
Employed, no. of residents	53.4	112	111	105
Unemployed, no. of residents	3.3	81	86	104
Rate, seasonally adjusted	6.6			
Civilian labor force, no. of residents	56.7	109	109	105
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	47.9	104	102	100
Nonmfg. only, no. of jobs	32.7	116	113	110
Mfg. only, no. of jobs	15.2	85	85	83
Industrial electric power sales	***	87	88	79
Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	16.5	+17		
Nonresidential contracts only	38.7	+68		

[1] Lycoming County

have remained above year-ago levels each quarter this year.

The region's jobless rate fell for the third consecutive quarter in dropping 0.3 percentage point to 6.6 percent, seasonally adjusted. This represents the lowest rate since 1974. All told, there were a record-high 52,300 residents employed in the third quarter after seasonal adjustment, up by 200 from the previous quarter. This gain was strong enough to reduce the number of unemployed by 200.

Southwestern Quarter

Altoona

The performance of the Altoona economy during this year's third quarter is really nothing to get excited about, but because of continued strength in the nonmanufacturing sector, a significant downturn does not appear likely in the near-term. As is the case throughout the Commonwealth, nonmanufacturing job levels remain at or near record-highs month after month. The seasonally adjusted 39,300 positions during the July-September period represent the second highest level on record, trailing only the 1978:IIIQ reading. Third quarter's total represents a gain of 400 from the second quarter.

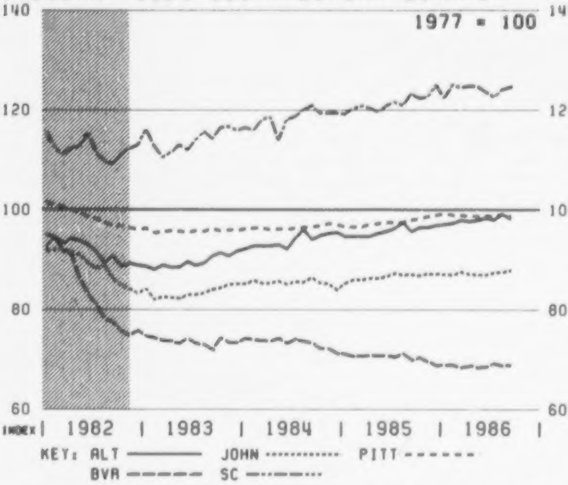
The two dominant industries are trade and services. During the first nine months of this year, 800 positions have been added in the region's trade establishments compared to a year ago. The services industries added 600.

Some of this strength is being offset by weakness in manufacturing. After adjustment for normal seasonal variations, there were 11,100 manufacturing jobs in the region during the third quarter. Job levels have fluctuated within a fairly narrow band during the last year-and-a-half. Although this is slightly better than the nearly continuous declines occuring in some regions, manufacturing job levels are still quite low in historical terms. Manufacturing's weakness is also reflected in little growth in industrial electric power sales. Third quarter's 4.6 percent gain follows five quarters of decline and should not be interpreted too optimistically.

Similar caution should be exercised in interpreting the decline in the unemployment rate from a seasonally adjusted 9.5 percent in the second quarter to 8.5 percent in the third. Employment rose by a very slight 100, albeit to a record-high of 54,100, seasonally adjusted. At the same time, the number of area residents counted as unemployed dropped by 800. Hence, much of the decline in the jobless rate is the result of a fall of 700 in the labor force.

On the construction front, nonresidential activity, as measured by the value of construction contracts awarded, is up a very respectable 31 percent so far this year. Residential contract values show a much more modest 7 percent advance.

INDUSTRY JOBS SOUTHWESTERN QUARTER



SHADED AREA REPRESENTS PERIOD OF NATIONAL RECESSION

Johnstown

The economy of the Johnstown region continued to spin its wheels in the third quarter with no prospects for any considerable improvement in sight. Although the area's jobless rate did decline 0.9 percentage point from the second quarter to 10.4 percent, seasonally adjusted, the lowest rate since 1979, it was the result of a reduction in the labor force rather than a gain in employment. The number of residents counted as employed fell by 300 to a seasonally adjusted 85,000. This represents quite an improvement from the recessions of the early 1980s, but falls well short of the employment levels which existed throughout the 1970s.

Altoona Area[1]

	Ave. mo. value 3 Q.'86	Average monthly index seas. adj. (1977 = 100) 3 Q.'86	2 Q.'86	3 Q.'85
Employment *(in thousands)*				
Employed, no. of residents	55.8	104	104	101
Unemployed, no. of residents	4.7	124	142	142
Rate, seasonally adjusted	8.5			
Civilian labor force, no. of residents	60.5	105	106	104
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	51.3	99	98	96
Nonmfg. only, no. of jobs	40.0	103	102	101
Mfg. only, no. of jobs	11.3	85	86	84
Industrial electric power sales	***	75	72	81
Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	16.2	+ 7		
Nonresidential contracts only	13.5	+31		

[1] Blair County

Johnstown Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q.'86	*3 Q.'86*	*2 Q.'86*	*3 Q.'85*
Employment *(in thousands)*				
Employed, no. of residents	87.8	88	89	87
Unemployed, no. of residents	8.9	93	102	108
Rate, seasonally adjusted	10.4			
Civilian labor force, no. of residents	96.6	89	90	89
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	78.1	88	87	87
Nonmfg. only, no. of jobs	65.6	97	96	96
Mfg. only, no. of jobs	12.5	58	58	58
Industrial electric power sales	***	166	156	153
Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	44.1	+ 26		
Nonresidential contracts only	51.9	+111		

[1] Cambria and Somerset Counties

At the same time, the number of unemployed dipped by 1,000 to a seasonally adjusted 9,900. Hence, the decline in the jobless rate was the result of a net outflow of 1,300 from the labor force.

The lone bright spot in the region's economy is the construction industry. Nonresidential construction contracts more than doubled in value to $51.9 million during this year's first nine months compared to the same period a year ago. Residential contrat values increased by 26 percent to $44.1 million.

There was a welcome gain of 600 in the number of nonmanufacturing jobs during the third quarter to 64,500, seasonally adjusted, the highest level since 1982:IIQ. However, recent growth in this sector has not matched that in the entire State. During the first nine months of this year, jobs in these industries have grown by a slight 1.2 percent compared to a 3.4 percent gain in the Commonwealth. In the services industries, which have provided the bulk of all new jobs in Pennsylvania jobs have expanded by 3.5 percent in the Johnstown region so far this year compared to 5.2 percent Statewide.

Surprisingly, manufacturing appears to be holding its own in the region. During the third quarter, jobs increased by a seasonally adjusted 100 to 12,400. Compared to a year ago, job levels are essentially unchanged. However, the number of positions in manufacturing have been hovering at or near all-time lows for the last several years. Despite the fact that these industries have been holding steady as of late, their relative importance has been on a long-run decline stretching back several years. Currently, manufacturing accounts for a surprisingly low 16 percent of employment in the region, a share that has been cut in half over the past few decades. Clearly, the region is having difficulties adjusting to these structural changes.

Pittsburgh[1]-Beaver Valley[2] Area

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q.'86	*3 Q.'86*	*2 Q.'86*	*3 Q.'85*
Employment *(in thousands)*				
Employed, no. of residents				
Pittsburgh[1]	911.1	103	103	100
Beaver County	58.7	68	68	69
Unemployed, no. of residents				
Pittsburgh[1]	73.6	120	125	135
Beaver County	6.9	102	140	151
Unemployment Rate, seas. adj.				
Pittsburgh[1]	7.7			
Beaver County	10.5			
Civilian labor force, no. of residents				
Pittsburgh[1]	984.7	104	105	103
Beaver County	65.6	70	73	74
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs				
Pittsburgh[1]	867.7	99	99	98
Beaver County	52.4	69	68	71
Nonmfg. only, no. of jobs				
Pittsburgh[1]	736.7	112	112	110
Beaver County	41.0	108	107	105
Mfg. only, no. of jobs				
Pittsburgh[1]	128.7	58	60	62
Beaver County	11.4	30	30	36
Hrs. worked by production workers in mfg., *ave. weekly*				
Pittsburgh[1]	40.3	n.a.	n.a.	n.a.
Beaver County	40.6	n.a.	n.a.	n.a.
Industrial electric power sales	***	56	61	66
Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only				
Pittsburgh[1]	389.2	+28		
Beaver County	18.9	+ 7		
Nonresidential contracts only				
Pittsburgh[1]	483.3	+16		
Beaver County	11.3	+40		

[1] Allegheny, Fayette, Washington and Westmoreland Counties
[2] Beaver County

Pittsburgh-Beaver Valley

Third quarter trends in the Pittsburgh-Beaver Valley economy mirrored those throughout the Commonwealth: a fairly healthy nonmanufacturing sector alongside a sluggish manufacturing base. The seasonally adjusted 732,300 nonmanufacturing positions in the four-county Pittsburgh region represent an all-time high. So far this year, the number of jobs in these industries has grown by 3.2 percent. At the same time, jobs in the region's manufacturing establishments dipped again during the quarter to a record-low of 128,000, seasonally adjusted. During the first nine months of this year, manufacturing jobs were off by 5.8 percent.

In Beaver County, nonmanufacturing job levels have increased seven straight quarters. The seasonally adjusted 41,100 positions in these industries during the third quarter were only slightly below the all-time highs from 1979 and early 1980. Job levels have increased 4.1 percent so far this year. On the manufacturing side, the number of jobs did increase by 100 from second quarter's record-low to 11,300, seasonally adjusted. However, jobs are down a disturbing 21.2 percent on a year-to-date basis.

The service-producing industries are providing the strength in nonmanufacturing. Meanwhile, the region's reliance on the primary metals industry is dragging down manufacturing. The number of jobs in this industry fell by 34.9 percent during this year's first nine months in Beaver County and 13.3 percent in the Pittsburgh area.

As manufacturing activity continues to decline, electricity sales to industry remain on a downward trend. Sales have declined in each quarter this year and are down nearly one-half from the late 1970s. Additionally, the behavior of the average workweek, which usually rises before an increase in hiring activity, does not point to any turnaround.

Unemployment remains a problem in the region. Although it fell by 2.9 percentage points to a seasonally adjusted 10.5 percent in the third quarter, the Beaver County unemployment rate was still the highest among the State's 15 metro areas. Furthermore, the 7.7 percent rate in the Pittsburgh region leaves considerable room for improvement. Third quarter's decline in unemployment was not the result of any gains in employment. Rather, it was the result of a net outflow from the labor force.

As elsewhere in the Commonwealth, construction activity appears to be up in the region. Based upon the value of contracts awarded so far this year, both the residential and nonresidential sectors have realized gains.

State College

Although the numbers suggest the State College regional economy took a breather for the second straight quarter during the July-September period, there is no denying that it remains on a healthy growth track. A surge in construction is leading the way. Contract awards advanced by 83 percent during the first nine months of the year on the nonresidential side. Residential awards rose by one-fifth over the same period.

Despite a slight job loss in the third quarter, nonmanufacturing industries have had a very strong year. At a seasonally adjusted 42,600, the number of sectoral jobs was off by just 300 from second quarter's record-high. So far this year, there has been a 3.3 percent increase from 1985. Services industries are leading the way with a gain of 6.9 percent or 600 jobs.

Although it only accounts for about 16 percent of all jobs compared to 23 percent in the State, there are still a sizeable number of jobs in manufacturing. During the third quarter, the seasonally adjusted 7,800 positions represent a gain of 100 from the second quarter. So far this year, job levels have essentially held steady compared to the State's 3.8 percent decline. Clearly, manufacturing is not subtracting away from growth to the same degree as in the State as a whole.

State College Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q.'86	*3 Q.'86*	*2 Q.'86*	*3 Q.'85*
Employment *(in thousands)*				
Employed, no. of residents	54.0	127	128	122
Unemployed, no. of residents	3.2	129	134	139
Rate, seasonally adjusted	6.0			
Civilian labor force, no. of residents	57.2	127	129	123
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	49.8	124	124	122
Nonmfg. only, no. of jobs	42.2	124	125	122
Mfg. only, no. of jobs	7.6	121	120	122
Industrial electric power sales	***	106	108	100
Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	62.7	+20		
Nonresidential contracts only	34.3	+83		

[1] Centre County

Resident employment appears to be picking up after some sluggishness. Although third quarter employment, at a seasonally adjusted 53,400, was down by 500 from second quarter's record-high, gains did occur in both August and September. For the year, employment in the region has advanced by 6.4 percent compared to the Commonwealth's 3.1 percent increase.

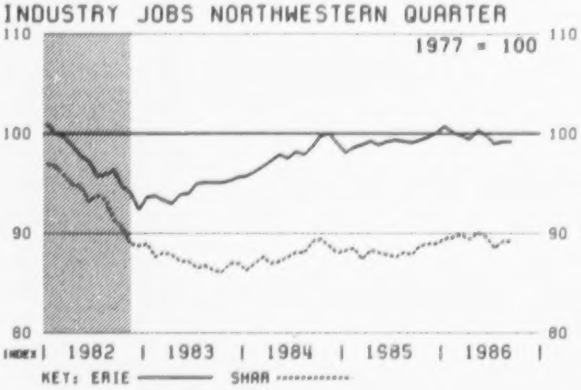
There were a seasonally adjusted 3,400 residents counted as unemployed in the third quarter, down from 3,600 in the preceding quarter. Because of the decline in employment, however, unemployment's drop was due to a fall in the labor force. The end result was an unemployment rate of 6 percent, seasonally adjusted, down from 6.3 percent and the fifth lowest among the State's 15 metro regions. During the first nine months of the year, employment gains in the region have been strong enough to absorb a 5.1 percent increase in the labor force and reduce the number of unemployed by 11.2 percent. This compares quite favorably with the State's performance, where employment gains were strong enough to absorb a 2.1 percent increase in the labor force and reduce the number of unemployed by 9.6 percent.

Northwestern Quarter

Erie

It is hard to make a case that the Erie regional economy did anything more than hold its own in the third quarter. What strength there is in the economy can be traced to the nonmanufacturing sector. At a record-high 76,000 after seasonal adjustment, the number of nonmanufacturing jobs was up by 100 from the second quarter in rising for the tenth time in 11 quarters. The two largest industries, services and trade, grew by 5.3 and 3.2 percent on a year-to-date basis, respectively. Nonmanufacturing's growth is quite similar to that in the entire Commonwealth.

Another nonmanufacturing industry, construction, is also on the upswing. Through the first nine months of the year, the value of residential construction contract awards were up 14 percent from a year ago and nonresidential awards increased by 28 percent. Jobs in this industry have grown from 2,900 in the first three quarters of last year to 3,400 this year.



SHADED AREA REPRESENTS PERIOD OF NATIONAL RECESSION

Erie Area[1]

	Ave. mo. value 3 Q.'86	Average monthly index seas. adj. (1977 = 100) 3 Q.'86	2 Q.'86	3 Q.'85
Employment *(in thousands)*				
Employed, no. of residents	119.8	105	106	104
Unemployed, no. of residents	10.8	129	127	116
Rate, seasonally adjusted	9.0			
Civilian labor force, no. of residents	130.6	107	108	105
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	110.3	99	100	99
Nonmfg. only, no. of jobs	76.7	113	113	109
Mfg. only, no. of jobs	33.5	78	80	83
Industrial electric power sales	***	99	94	88

Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd
Residential contracts only	42.2	+ 14
Nonresidential contracts only	40.6	+ 28

[1] Erie County

Sharon Area[1]

	Ave. mo. value 3 Q.'86	Average monthly index seas. adj. (1977 = 100) 3 Q.'86	2 Q.'86	3 Q.'85
Employment *(in thousands)*				
Employed, no. of residents	46.5	95	96	92
Unemployed, no. of residents	3.9	104	100	110
Rate, seasonally adjusted	8.4			
Civilian labor force, no. of residents	50.4	96	97	94
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	40.3	89	90	88
Nonmfg. only, no. of jobs	30.6	106	106	103
Mfg. only, no. of jobs	9.7	59	63	62
Industrial electric power sales	***	94	102	93

Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd
Residential contracts only	16.0	− 2
Nonresidential contracts only	19.7	+ 25

[1] Mercer County

The gains in nonmanufacturing have not been strong enough, however, to put a dent in the region's unemployment problem. In the third quarter, the unemployment rate inched up by 0.2 percentage point to a seasonally adjusted 9 percent, the third highest among the Commonwealth's 15 metro areas. Additionally, the number of unemployed residents has grown by 2 percent so far this year compared to a decline of 9.6 percent in the State. For the year as a whole, employment of the region's residents grew by 2 percent. However, the rate of growth seems to have slowed as of late. In fact, the two months with the lowest level of employment this year were July and September. All told, there were a seasonally adjusted 116,700 residents employed in the third quarter, down from 118,200 in the second.

Manufacturing continues to hold the economy back. Third quarter's 33,300 jobs after adjustment for normal seasonal variation is the lowest level since record-keeping began in 1962. Job losses have totaled 5.3 percent for the year, considerably higher than the State's 3.8 percent drop. It is doubtful that the economy can turn the corner onto a sustainable recovery until manufacturing, which accounts for nearly one-third of all jobs, can at least hold its own. As late as 1972, manufacturing accounted for 42.6 percent of all jobs.

Given these problems, it is surprising to find that electricity sales to industry, a good barometer of industrial production, have remained above year-ago levels the last three quarters. However, they remain well below levels of the late 1970s.

Sharon

The performance of the Sharon regional economy left a lot to be desired during the third quarter. For example, at a seasonally adjusted 8.4 percent, the unemployment rate was up 0.6 percentage point from the second quarter. Erie was the only other region in which there was an increase.

Resident employment fell by a seasonally adjusted 800 during the quarter to 45,600. So far this year, however, employment has increased by 3.3 percent, a gain in line with the State's 3.1 percent advance. The number of residents counted as unemployed rose by 200 to a seasonally adjusted 4,200 in the third quarter. Again, we find a much better performance when the situation is examined on a year-to-date basis. During the first nine months of this year, there were 15.6 percent fewer unemployed residents compared to a year ago.

The reason that the region is unable to move onto a higher growth track can be traced to manufacturing's difficulties. Jobs in these industries dipped to their lowest level since record-keeping began in 1975, a seasonally adjusted 9,600. So far this year, 4.2 percent of the region's manufacturing jobs have been lost compared to a year ago.

Primary metals, an industry being adversely affected by intense foreign competition and a switch to other structural materials in finished products, is the major employer in the manufacturing sector. During the first nine months of 1986, the number of jobs in this industry was down by 5.1 percent.

Signals coming from the construction industry are mixed. The number of jobs in the industry are up and the value of nonresidential contract awards increased by 25 percent on a year-to-date basis. However, the value of residential awards is down a slight 2 percent from a year ago, the only region in which a decline occured.

What strength there is in the economy is coming from the nonmanufacturing sector. At a seasonally adjusted 30,700, there were 200 more nonmanufacturing jobs in the third quarter relative to the second. On a year-to-date basis, nonmanufacturing jobs are 3.6 percent higher than in the first nine months of 1985, a gain very similar to the State's 3.4 percent advance. Jobs in the services industries have grown by 3.9 percent compared to 5.2 percent in the Commonwealth.

Southeastern Quarter

Harrisburg-Lebanon-Carlisle

Although it is not immune from the difficulties in the manufacturing sector, gains in nonmanufacturing have been strong enough to keep the economy of the Harrisburg-Lebanon-Carlisle region on a healthy growth trend. During the third quarter, the region's seasonally adjusted unemployment rate of 4.4 percent was the second lowest among the State's 15 metro areas. However, the 1 percentage point drop from the second quarter was somewhat misleading. Employment actually fell slightly from second quarter's record-high to

289,900, seasonally adjusted. This suggests that the jobless rate drop was the result of a decline in the labor force.

Comparisons with 1985 illustrate the strength of the region's economy. A 4 percent employment gain between the first nine months of 1985 and 1986 was strong enough to absorb a 3.3 percent increase in the labor force and reduce the number of unemployed by 7.8 percent.

Manufacturing job levels did rise by a seasonally adjusted 500 to 50,100 in the third quarter. However, over the first nine months of the year, the number of positions in these establishments was off by 3.3 percent from a year ago. Surprisingly, the largest manufacturing industry, food products, has realized a 3.5 percent increase in jobs over the period.

At a seasonally adjusted 233,100, nonmanufacturing job levels rose to another record in the third quarter, the 13*th* consecutive quarter this has happened. For the year as a whole, jobs have increased by 3.8 percent from last year. Jobs in trade are up 5.2 percent, while those in services have grown by 6.3 percent. In the public sector, State and local government employment has grown by 1.7 percent.

Not surprisingly, construction activity, based on the value of contracts awarded, is up. At $161.9 million in the first nine months of this year, residential awards were up 17 percent from the same period in 1985. Nonresidential awards grew 45 percent to $109.4 million.

Harrisburg-Lebanon-Carlisle Area[1]

	Ave. mo. value *3 Q.'86*	Average monthly index seas. adj. (1977 = 100) *3 Q.'86*	*2 Q.'86*	*3 Q.'85*
Employment *(in thousands)*				
Employed, no. of residents	296.6	115	115	112
Unemployed, no. of residents	13.4	91	109	102
Rate, seasonally adjusted	4.4			
Civilian labor force, no. of residents	310.0	114	115	111
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	285.3	115	114	112
Nonmfg. only, no. of jobs	234.5	121	120	117
Mfg. only, no. of jobs	50.8	92	91	94
Hrs. worked by production workers in mfg., *ave. weekly*	39.6	n.a.	n.a.	n.a.
Industrial electric power sales	***	71	66	78
Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	161.9	+17		
Nonresidential contracts only	109.4	+45		

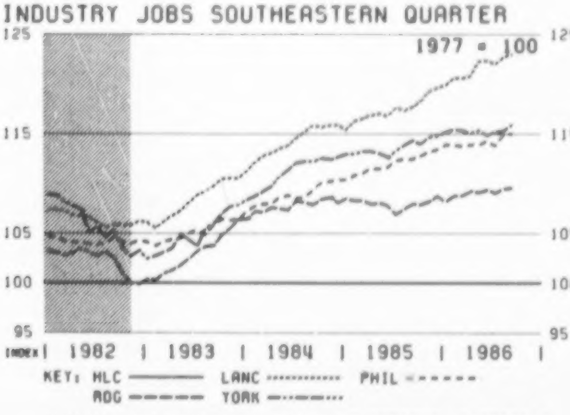
[1] Cumberland, Dauphin, Lebanon, and Perry Counties

Lancaster

The economy of the Lancaster region continued to move forward at a healthy pace in the third quarter. As elsewhere in the State, nonmanufacturing is leading the way. Jobs in these establishments rose by another 500 to a seasonally adjusted 113,800 in the July-September period. Service-producing industries have been fueling the growth. Jobs in trade have grown 5.8 percent on a year-to-date basis. Services positions have expanded 5.6 percent. Finance-related jobs advanced 7 percent.

Following a Statewide trend, construction activity in the region looks to be up. The dollar value of both residential and nonresidential contract awards were up through the first nine months of the year, with an especially strong gain in the residential sector. Construction jobs have averaged 9,200 per month this year, up from 8,200 last year.

Although they are not nearly as strong as the service-producing industries, the region's manufacturers are more than holding their own. In fact, the seasonally adjusted 59,400 manufacturing positions in the third quarter was the highest since 1981. On a year-to-date basis, jobs are up 1.5 percent compared to the State's 3.8 percent decline. Although it is not usually thought of as a manufacturing based economy, about 35 percent of the region's jobs are in these industries compared to the State's 23 percent.



SHADED AREA REPRESENTS PERIOD OF NATIONAL RECESSION

Manufacturing's strength is reflected in five consecutive quarterly gains in electricity sales to industry, a good gauge of industrial production. Furthermore, the average factory workweek has remained above year-ago levels for five straight quarters.

The region's strong economy translates into a solid performance on the employment/unemployment front. For example, the jobless rate dropped by 0.2 percentage point to a seasonally adjusted 3.6 percent in the third quarter, the lowest in the Commonwealth. At the same time, employment rose to a record-high 199,700, seasonally adjusted. So far this year, employment is up 5.1 percent, the labor force

Lancaster Area[1]

	Ave. mo. value *3 Q.'86*	Average monthly index seas. adj. (1977 = 100) *3 Q.'86*	*2 Q.'86*	*3 Q.'85*
Employment *(in thousands)*				
Employed, no. of residents	204.9	127	127	121
Unemployed, no. of residents	7.2	94	96	110
Rate, seasonally adjusted	3.6			
Civilian labor force, no. of residents	212.0	125	126	121
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	173.7	123	122	118
Nonmfg. only, no. of jobs	114.0	134	134	128
Mfg. only, no. of jobs	59.7	105	104	102
Hrs. worked by production workers in mfg., *ave. weekly*	40.6	102	102	101
Industrial electric power sales	***	131	127	123
Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	185.0	+40		
Nonresidential contracts only	34.3	+ 2		

[1] Lancaster County

Philadelphia Area[1]

	Ave. mo. value 3 Q.'86	Average monthly index seas. adj. (1977 = 100) 3 Q.'86	2 Q '86	3 Q.'85
Employment *(in thousands)*				
Employed, no. of residents	2259.3	118	118	115
Unemployed, no. of residents	123.9	68	72	74
Rate, seasonally adjusted	5.1			
Civilian labor force, no. of residents	2383 2	114	114	112
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	2096.9	115	114	112
Nonmfg. only, no. of jobs	1701.6	124	122	120
Mfg. only, no. of jobs	389.0	87	88	89
Hrs. worked by production workers in mfg., *ave. weekly*	39.9	101	100	101
Industrial electric power sales	***	100	104	99
Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	1302.5	+22		
Nonresidential contracts only	925.2	+ 2		

[1] Bucks, Chester, Delaware, Montgomery, and Philadelphia Counties, Pa., and Burlington, Camden, and Gloucester Counties, N.J.

has grown 4.1 percent, and the number of unemployed fell 15.9 percent. This compares quite favorably with the improvements in the Commonwealth as a whole.

Philadelphia

The economy of the Philadelphia region remained on a definite upward trend in the third quarter, but its performance falls short of a boom. The seasonally adjusted 5.1 percent jobless rate during the period was the third lowest among the Commonwealth's 15 metropolitan areas. Resident employment rose to another record-high 2.24 million after seasonal adjustment.

For the year as a whole, a 3.2 percent gain in employment has been strong enough to absorb a 2.6 percent increase in the labor force and reduce the number of unemployed by 7.2 percent. These improvements were in line with those in the Commonwealth.

The source of the economy's strength has been the nonmanufacturing sector. Third quarter's 1.71 million positions in these industries represent a record-high. Jobs in the services industries, the region's largest employer, have grown 4.4 percent so far this year. Other big gainers over the period were trade (3.9 percent) and finance-related (3.2 percent). For the year, nonmanufacturing jobs in the region are up 3.2 percent, very similar to the Commonwealth's 3.4 percent advance.

Reading Area[1]

	Ave. mo. value 3 Q.'86	Average monthly index seas. adj. (1977 = 100) 3 Q.'86	2 Q.'86	3 Q.'85
Employment *(in thousands)*				
Employed, no. of residents	159.6	116	117	113
Unemployed, no. of residents	9.8	116	132	139
Rate, seasonally adjusted	6.1			
Civilian labor force, no. of residents	169.4	116	118	115
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	143.5	109	109	108
Nonmfg. only, no. of jobs	95.4	119	118	114
Mfg. only, no. of jobs	48.0	94	95	97
Hrs. worked by production workers in mfg., *ave. weekly*	40.7	104	102	103
Industrial electric power sales	***	129	126	124
Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	102.6	+ 38		
Nonresidential contracts only	54.1	+136		

[1] Berks County

In both dollar and job terms, construction activity is up. Construction contract values have grown by 2 percent in the nonresidential sector during the first nine months of 1986 compared to the same period in 1985. On the residential side, the gain was 22 percent. So far this year, construction jobs have averaged 86,800 per month, up from 81,200 during the same period in 1985.

These gains in nonmanufacturing are being partially offset by losses in manufacturing. The only time jobs in these industries were lower than third quarter's seasonally adjusted 389,300 was during the recession of the early 1980s. Third quarter brought with it a decline of 3,000 manufacturing jobs after adjustment for normal seasonal variation.

The region's largest durable goods employers are electronic equipment and nonelectrical machinery where jobs have grown by 1.8 percent and declined by 6.2 percent on a year-to-date basis, respectively. On the nondurables side, the largest industry is printing and publishing where jobs have increased by 3.9 percent. Clearly, manufacturing's weakness is not spread evenly across all industries.

Reading

Driven by gains in nonmanufacturing, the Reading regional economy moved forward in the third quarter. Jobs in the region's nonmanufacturing establishments rose for the 15*th* consecutive quarter to a seasonally adjusted 96,000, a record-high. Within this sector, the service-producing industries have been leading the way. The number of positions in trade have grown by 3.7 percent so far this year. In services, there was a 5 percent gain Finance-related jobs, though much smaller in absolute terms, grew by 9.1 percent.

Another strong nonmanufacturing industry has been construction. The value of contracts awarded have increased considerably in both the residential and nonresidential sectors this year compared to 1985. Job levels have averaged 6,100 so far this year, up from 5,700 in 1985.

Nonmanufacturing's strength has been enough to bring about a 2.3 percent gain in resident employment during the first nine months of the year, slightly below the State's 3.1 percent advance. However, in the third quarter, employment fell by 900 to a seasonally adjusted 157,700.

Hence, the drop in the unemployment rate from 7.2 percent in the second quarter to 6.1 percent in the third after seasonal adjustment was the result of a net outflow from the labor force.

The economy is unable to move to a higher rate of growth because of weakness in manufacturing. Third quarter's seasonally adjusted 48,100 jobs was the lowest number since 1983:IQ and was down by 400 from the second quarter. During the first nine months of this year, jobs were down 4.8 percent from a year ago compared to the State's 3.8 percent fall.

York Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q.'86	*3 Q.'86*	*2 Q.'86*	*3 Q.'85*
Employment *(in thousands)*				
Employed, no. of residents	198.5	126	127	123
Unemployed, no. of residents	10.6	108	114	138
Rate, seasonally adjusted	5.2			
Civilian labor force, no. of residents	209.1	125	126	124
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	164.4	116	115	114
Nonmfg. only, no. of jobs	106.6	129	129	126
Mfg. only, no. of jobs	57.7	96	97	98
Hrs. worked by production workers in mfg., *ave. weekly*	40.9	100	100	100
Industrial electric power sales	***	109	110	100
Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	113.6	+21		
Nonresidential contracts only	61.3	+98		

[1] Adams and York Counties

York

The York regional economy showed signs of continued growth in the third quarter. Construction is playing a major role, as the value of contracts awarded rose 21 percent during the first nine months of the year on the residential side while nonresidential contract values doubled.

At a seasonally adjusted 5.2 percent in the third quarter, the unemployment rate in the region was down 0.3 percentage point from the second quarter and was the fourth lowest among the State's 15 metropolitan areas. However, third quarter's decline came about despite a drop in employment of 900 to a seasonally adjusted 194,600. Still, this is the third highest level on record. Given that the number of unemployed dipped by 500 individuals on a seasonally adjusted basis, this translates into a net outflow of 1,400 from the labor force, which is the true cause of the unemployment rate decline.

Similar to the situation throughout much of the Commonwealth, the region's manufacturing industries are having more than their fair share of problems. The seasonally adjusted 57.4 thousand jobs in this sector in the third quarter was off by 300 from the second quarter. So far this year, these jobs are down 2 percent from a year ago, slightly better than the State's 3.8 percent fall.

The bulk of all new jobs are being created in the nonmanufacturing industries where the number of jobs stood at a record-high of 106,500 after seasonal adjustment in the third quarter, up by 500 from the second. Job levels have increased for 16 consecutive quarters.

Trade is of vital importance to the region's economy, accounting for about 23 percent of all jobs. So far this year, the number of jobs in these industries have grown by 3.1 percent. The services industries rank right behind trade in terms of employment. Jobs in these industries have grown by a strong 7.4 percent on a year-to-date basis.

— *William D. Anderson*

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PENNSYLVANIA BUSINESS SURVEY

College of Business Administration The Pennsylvania State University **December 1986**

GOOD AND BAD NEWS IN ECONOMY

Pennsylvania's economy continues to move forward at a sustainable, but less than exciting, pace. It is becoming more and more apparent that in order to get a handle on the performance of the economy, a wide variety of indicators must be examined. Too often, attention is given solely to one or two measures of activity, usually the unemployment rate or job growth in the service-producing industries, which provide an overly optimistic picture of the State's economic performance. At the same time, some analysts give too much weight to the slumping manufacturing sector. Suffice it to say that the economy's performance probably lies somewhere in between.

Last month's *Survey* pointed out the fact that the Commonwealth's unemployment rate had remained below the nation's for several months. In October, the jobless rate dropped further so that it again remained below the nation's. The decline, from a seasonally adjusted 6.9 percent in September to 6.4 percent, left the Commonwealth's rate 0.6 percentage point below the nation's, but was somewhat misleading. **While the jobless rate was falling, the number of residents counted as employed dipped for the fifth time in seven months to 5.2 million after adjustment for normal seasonal variation.** Over the same period, employment in the nation advanced in six of those months. However, so far this year, Pennsylvania employment has grown 3 percent compared to 2.3 percent in the U.S.

A factor often overlooked in evaluating the employment and unemployment statistics is the behavior of the labor force which is simply the sum of the number of employed and unemployed residents, or the "official" pool of available workers. A reduction in the labor force paved the way for October's decline in the unemployment rate. On a year-to-date basis, the labor force has grown 2.1 percent in the U.S. and 1.9 percent in Pennsylvania. Since the current economic recovery began around 1982/83, the Pennsylvania labor force has grown 2.3 percent compared to the nation's 6.2 percent. **Although employment, for the most part, has been on an upward trend, a portion of the long-run downward trend in unemployment is the result of weak growth in the labor force.** While some of the sluggishness in labor force growth may be a reflection of lower birth rates in Pennsylvania, it may also be the result of a population loss through out-migration as people have left Pennsylvania to reside elsewhere, often in search of brighter economic prospects.

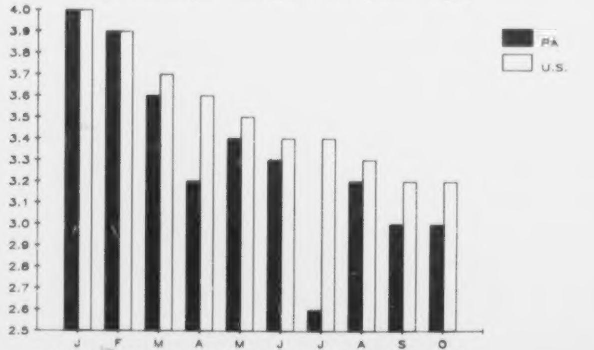
As in the nation as a whole, the service-producing industries are a major source of strength in the economy. Industries in this category include transportation and public utilities, trade, finance (including insurance and real estate), services, and government. Within this group, the bulk of all new jobs are being created in three industry groups. Finance, insurance, and real estate jobs have grown 4 percent this year or by 10,400. Jobs in trade establishments have increased 4.2 percent or by 44,700. Services industries have added 60,400 positions for a 5.2 percent gain.

The November issue of the *Survey* suggested that we should not take the job generation potential of these industries for granted. **The ability of these industries to create a large number of jobs in the face of continuing difficulties in manufacturing is certainly questionable.** Indeed, as the accompanying chart shows, job growth in the service-producing sector does appear to be slowing down from the rapid advances earlier in the year. Without help from manufacturing, it will be very difficult for the economy to grow at anything more than a modest and uneven pace.

Construction and mining go along with these service-producing industries to round out the nonmanufacturing sector. Mining's difficulties are well-publicized. However, **activity in the construction industry remains at a high level.** Job levels were up 6.5 percent during the first ten months of this year compared to a year ago. October's 206,100 construction jobs after seasonal adjustment was the highest since 1979. Construction contract values are also on the rise. They increased 11.7 percent in October to a seasonally adjusted $692 million, led by a gain in the nonbuilding category. For the year as a whole, total awards have grown 22.8 percent, residential by 21.1 percent, nonresidential building by 14 percent, and nonbuilding by 39.4 percent.

The end result from the behavior of all of these industries was another record number of workers in the nonmanufacturing sector during October. At over 3.8

U.S. AND PA SERVICE-PRODUCING INDUSTRIES
JOB GROWTH, JAN 1986-OCT 1986
(percentage change from year-ago)



SOURCE: PA DEPT. OF LABOR AND INDUSTRY; U.S. BUR. OF LABOR STATS.

PA manufacturing job growth by industry, 1986 YTD (change from 10 mo. ave. for 1985)

	10 Month Average (thous.)	Abs. Chg.	Percent Chg.		10 Month Average (thous.)	Abs. Chg.	Percent Chg.
Durables				Nondurables			
Lumber & wood prods.	25.7	1.8	7.5	Food & kindred	91.7	1.6	1.8
Furniture & fixtures	19.3	−1.1	−5.4	Tobacco mfgs.	1.7	−0.6	−26.1
Stone, clay & glass	47.9	−0.1	−0.2	Textile mill prods.	30.9	−0.1	−0.3
Primary metals	92.9	−12.3	−11.7	Apparel & other textile	92.6	−8.7	−8.6
Fabricated metal	89.1	−2.5	−2.7	Paper & allied	41.3	0.0	0.0
Machinery, exc. elect.	107.4	−7.5	−6.5	Printing & publishing	77.7	2.6	3.5
Electric & elect. eq.	98.2	−6.9	−6.6	Chemicals & allied prods	59.8	−0.1	−0.2
Transportation equip.	60.4	−3.4	−5.3	Petroleum & coal prods.	11.0	−1.9	−14.7
Instruments & related	37.2	−0.4	−1.1	Rubber & misc. plastic	36.0	−0.6	−1.6
				Leather & leather prods.	10.7	−0.7	−6.1

PA Office of Emp. Sec., Dept. of Labor and Industry

million, seasonally adjusted, there were 12,100 more positions than in September. There were 3.4 percent more nonmanufacturing jobs compared to a year ago during the first ten months of this year.

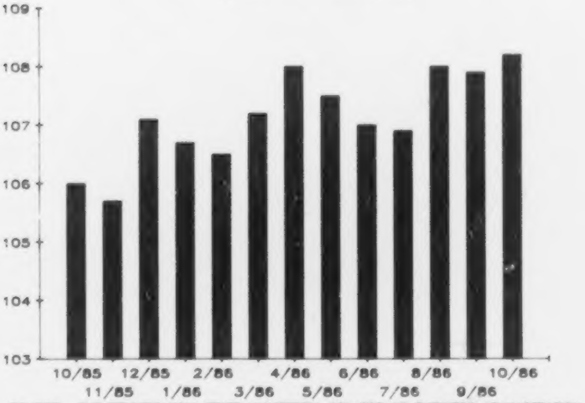
However, **the good news coming from these industries is being partially offset by negative signals coming from manufacturing.** These industries have always been extremely important to the State's economy and will continue to be

Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1986		1985	1986		1985	1986		1985
	Sept.	*Oct.*	*Oct.*	*Sept.*	*Oct.*	*Oct.*	*Sept.*	*Oct.*	*Oct.*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)¹	4,861*	4,897	4,815	4,829*	4,840	4,764	105.8*	106.0	104.4
Nonmanufacturing									
No. of wage and salary jobs (thous.)	3,808*	3,845	3,732	3,791*	3,803	3,691	117.6*	118.0	114.5
Manufacturing									
No. of wage and salary jobs (thous.)	1,045	1,039	1,076	1,038	1,037	1,074	77.3*	77.2	80.0
Ave. wkly. hrs. worked by prod. workers	40.6*	40.3	40.0	40.5*	40.3	40.0	102.4*	102.1	101.2
Total wkly. person-hours worked (mils.)	28.6*	28.2	29.3	28.3	28.1	29.2	73.8*	73.2	76.0
Total wkly. payroll (mil. dols.)	279.7*	274.3	280.5	277.2*	274.9	280.9	123.4*	122.3	125.0
Steel production (thous. tons)	549	616	961	n.a.	n.a.	n.a.	29.3	31.1	48.5
Industrial electric power sales (mil. kwh)	3,515	3,471	3,567	3,470	3,464	3,542	94.0	93.8	95.9
Mining									
Anthracite coal (thous. net tons)	328	431	371	317	372	319	64.8	76.1	65.3
Bituminous coal (thous. net tons)	5,053	n.a.	4,944†	4,687	n.a.	4,681†	66.5	n.a.	66.4†
Construction contracts awarded (mil. dols.)									
Total	655.6	736.5	659.8*	619.4	692.0	622.1*	192.5	215.1	193.4*
Residential building	308.0	334.4	297.8*	296.2	283.1	257.9*	210.5	201.2	183.3*
Nonresidential building	225.5	245.7	258.1*	195.3	186.0	201.1*	180.0	171.4	185.3*
Nonbuilding (utilities and public works)	122.1	156.4	103.9*	127.9	222.9	163.1*	176.5	307.5	225.0*
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,278	5,289	5,203	5,234	5,196	5,110	108.9	108.1	106.3
Unemployed									
No. of persons (thous.)	362	322	397	394	357	432	98.3	89.1	107.7
Rate (percentage of labor force)	6.4	5.7	7.1						
Rate, seasonally adjusted				6.9	6.4	7.8			
Civilian labor force, no. of persons (thous.)	5,640	5,611	5,600	5,628	5,554	5,542	108.1	106.7	106.4
Initial claims for unemployment benefits	90,001	94,980	119,603	106,642	97,040	120,544	74.5	67.8	[illegible]

Consumer Prices, all items	Urban Indexes (1967 = 100)			Percentage Change	
	1986		1985	*Month*	*Year*
	Sept.	*Oct.*	*Oct.*	*Ago*	*Ago*
U.S. city average	330.2	330.5	325.5	+0.1	+1.5
Philadelphia	325.8	324.7	317.4	−0.3	+2.3
Pittsburgh	n.a.	331.8	328.4	n.a.	+1.0
Northeast PA	311.3	n.a.	306.8†	n.a.	+1.5

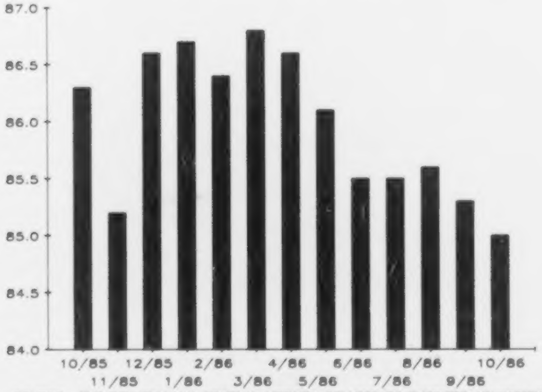
NOTES: Data on employment, payrolls and hours have been revised to first quarter 1985 benchmarks.
¹ Total includes workers on strike. * = figure revised † = figure for September 1985 n.a. = data not available
SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

PENNSYLVANIA COMPOSITE INDEX
OF LEADING INDICATORS
(Jan 1972=100)



SOURCE: THE PENNSYLVANIA STATE UNIVERSITY, COLLEGE OF BUSINESS ADMINISTRATION

PENNSYLVANIA COMPOSITE INDEX
OF COINCIDENT INDICATORS
(Jan 1972=100)



SOURCE: THE PENNSYLVANIA STATE UNIVERSITY, COLLEGE OF BUSINESS ADMINISTRATION

so in the future. We cannot ignore the problems existing in the sector as they affect hundreds of thousands of individuals. Additionally, because those industries experiencing the most difficulties are concentrated in certain regions, especially in western Pennsylvania, this leaves these areas at a severe disadvantage.

As shown in the accompanying table, although most manufacturing industries are losing jobs, the losses are not distributed evenly. **Declines are heavily concentrated in the durable goods industries, especially in the largest industries: primary metals, machinery, and electronic equipment.**

Not surprisingly, manufacturing job levels dipped to another record-low in October in falling by 1,400 to a seasonally adjusted 1.04 million. This was the 13*th* time in the last 15 months in which sectoral jobs stood at an all-time low. Unfortunately, other indicators of manufacturing's strength, such as the average workweek, total hours worked, payrolls, and electricity sales to industry, fail to signal any turnaround. Furthermore, **the loss of the investment tax credit under the tax reform package could put a damper on the purchase of capital goods.**

The end result of October economic activity was a second consecutive 0.4 percentage point drop in the index of coincident indicators, which is designed to mirror movements in the overall economy. The leading index rose for the second time in three months. Recent behavior in this index suggests that **economic activity in the near future should be quite similar to what we've experienced so far this year.**

— *William D. Anderson*

Retail Sales Report

Pennsylvania retailers turned in another strong performance during the third quarter. Retail sales in the Commonwealth totaled $17.6 billion during the July-September period for an 8.7 percent gain from 1985:IIIQ. During the first nine months of this year, sales were up 7.8 percent from a year ago. Surprisingly, the Commonwealth continues to outperform the nation on the retail trade front. Nationally, sales grew 5.5 percent in the third quarter from a year ago. The year-to-date gain was 4.9 percent.

Because a lack of data at the state-level prevents any detailed analysis of the role that they play, one can only assume that trends and developments in the national economy are similar to those in Pennsylvania and that their impact on retail sales will also be similar. Keeping this qualification in mind, some of the national trends which have the potential to have an impact on Pennsylvania retail sales are:

—Heavy debt burdens: Consumers are heavily in debt. Many economists expect consumers to tighten their purse strings eventually.

—Tax reform: The loss of the sales tax and finance charges deductions when the plan is fully phased-in may give current sales a boost as consumers take advantage of these deductions for a final time.

—Auto incentives: Attractive financing packages boosted third quarter sales. The lack of such incentives could dampen sales in the fourth quarter.

Pennsylvania retail sales
(millions of dollars)

	Retail sales	Pct. change from yr. ago
1986:IIIQ	17,641	8.7
1986:IIQ	17,174	5.1
1986 YTD	49,755	7.8

Sept. 1986 data is preliminary.
Source: U.S. Dept. of Commerce,
Bureau of the Census

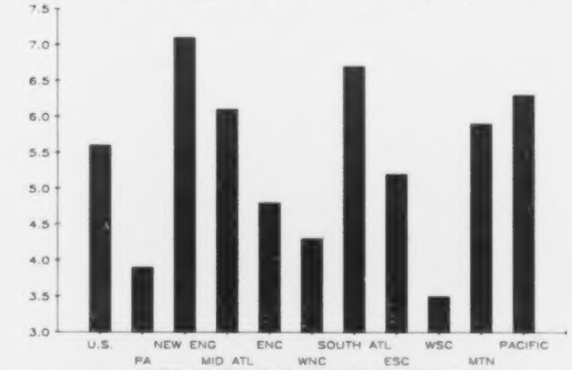
Personal Income Report

In terms of the growth in personal income, it appears that economic activity in the Commonwealth is failing to keep up with that in the nation. Personal income, the income received by individuals from all sources, totaled a seasonally adjusted $164.6 billion on an annual basis in this year's second quarter. This represents a gain of 0.7 percent from the first quarter and 3.6 percent from 1985:IIQ. Pennsylvania's quarterly advance was one-half the nation's 1.4 percent increase while the second quarter-to-second quarter gain was two percentage points less than the nation's 5.6 percent.

Manufacturing's well-publicized difficulties are apparent in the data. Through the first six months of this year, earnings accruing from these industries were down 2.1 percent on the durable goods side from the same period last year while there was a slight gain of 2.4 percent in the nondurable goods category. In the service-producing sector, however, earnings growth totaled 7 percent on a year-to-date basis. This same discrepency between the performances of the manufacturing and service-producing sectors is also evident in the nation.

The accompanying chart provides evidence of Pennsylvania's difficulties relative to the nation. So far this year, personal income in Pennsylvania is up 3.9 percent compared to the first six months of 1985, considerably less than the 5.6 percent gain in the U.S. Additionally, of the nine census regions (New England, Middle Atlantic, East North Central, West North Central, South Atlantic, East South Central, West South Central, Mountain, and Pacific), only one, the West South Central Region, has realized a lower rate of personal income growth so far this year than the Commonwealth.

REGIONAL PERSONAL INCOME GROWTH RATES, 1986 YTD
(percentage change from year-ago)



SOURCE: U.S. DEPT. OF COMMERCE, BUR. OF ECON. ANALYSIS

Pennsylvania personal income
(seas. adj. ann. rates; millions of dollars)

	Personal income	Pct. change Qt. ago	Pct. change Yr. ago
1986:IIQ	164,562	0.7	3.6
1986:IQ	163,434	1.1	4.2
1985:IIQ	158,854	1.3	5.8

Source: U.S. Dept.of Commerce,
Bur. of Econ. Analysis

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PENNSYLVANIA BUSINESS SURVEY

College of Business Administration The Pennsylvania State University January 1987

ECONOMY FIGHTING TO KEEP PACE

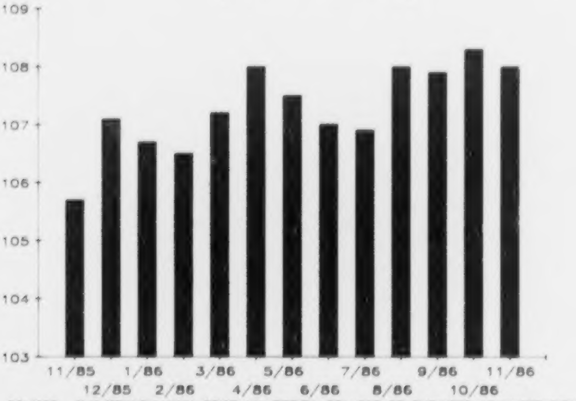
Economic activity in the Commonwealth continues to be strong enough to avert any significant downturn, but that doesn't mean that the current situation is all that rosy, either. **November brought with it a continuation of recent trends: problems in the Commonwealth's factories, a fair amount of strength in the nonmanufacturing sector, and weakness in the employment and labor force indicators.**

Caution should be exercised in examining trends in Pennsylvania's manufacturing industries. Job losses have been fairly continuous for slightly more than two years. As pointed out in last month's *Survey*, these declines have been spread across most industries, albeit unevenly. The number of positions in these establishments fell by a seasonally adjusted 2,200 in November to a record low of 1.03 million.

Talk of any improvement in the manufacturing job picture appears to be unfounded. Indeed, even talk of a mere bottoming out in the job performance of these industries seems to be a bit premature. Manufacturing job levels have remained 3.5-4 percent below a year ago throughout 1986.

A December 4, 1986 *Wall Street Journal* article examined the relationship between manufacturing jobs and output at the national level. In that timely data for Pennsylvania are not available, we can only assume that the trends highlighted in the article are at least similar to those in the Commonwealth. It was pointed out that while the job performance of the manufacturing sector has been dismal, output has been on the rise. Hence, if one focuses on the production/output data, manufacturing's recent performance appears to be much more encouraging than if one concentrates on the employment situation. It appears that, **in an effort to be more competitive, manufacturers, in general, are more efficient and now have the ability to produce more goods with fewer workers**. As a result, unless output surges, which is unlikely, it will be hard to realize any significant job gains in the manufacturing sector.

PENNSYLVANIA COMPOSITE INDEX OF LEADING INDICATORS (Jan 1972=100)



SOURCE: THE PENNSYLVANIA STATE UNIVERSITY, COLLEGE OF BUSINESS ADMINISTRATION

Fortunately, **the Commonwealth's nonmanufacturing industries again stepped forward to brighten the job picture**. All told, there were a record-high 3.81 million jobs in these establishments during November after adjustment for normal seasonal variations. Once again, the service-producing industries (all nonmanufacturing industries except construction and mining) led the way.

These job gains in the nonmanufacturing sector are certainly welcome news. However, a major issue currently being debated concerns the "quality" of these jobs. **Many analysts are concerned that as our economy becomes more dependent on these relatively low-paying jobs, our standard of living will deteriorate.** Although there is some merit to this argument, it is hard to draw any firm conclusions for the Commonwealth, again due to a lack of timely data.

As in the nation as a whole, construction activity in Pennsylvania may be leveling off. Employment in this industry has held steady at about 205,000, seasonally adjusted, for the last five months. Construction contract values have declined in two of the last three months. For November, contract values stood at a seasonally adjusted $622.6 million, down from $692 million in October. Declines occurred in the residential and nonbuilding categories while there was a gain in the nonresidential sector. Most experts are calling for a fairly stable year for construction in 1987. While this might not seem too encouraging relative to the strong advances registered in 1986, this would still leave construction activity at a fairly high level.

Pennsylvania Composite Indexes

	Index		Percentage Change from Preceding Month	
	Leading	*Coincident*	*Leading*	*Coincident*
March 1986	107.2	86.8	0.7	0.5
April	108.0	86.6	0.7	−0.2
May	107.5	86.1	−0.5	−0.6
June	107.0	85.5	−0.5	−0.7
July	106.9	85.5	−0.1	0.0
August	108.0	85.6	1.0	0.1
September	107.9	85.3	−0.1	−0.4
October	108.3	84.8	0.4	−0.6
November	108.0	84.3	−0.3	−0.6

The end result of November's job trends in Pennsylvania's nonagricultural (manufacturing and nonmanufacturing) industries was a gain of 10,000 jobs to a seasonally adjusted 4.85 million, a record-high. During the first 11 months of 1986, nonagricultural job levels were up 1.8 percent in the Commonwealth compared to 2.6 percent in the nation.

Despite the continued strength in nonmanufacturing, **resident employment in Pennsylvania dipped for the third straight month in November**. (See the October 1986 issue of the *Survey* for a discussion of the differences between the establishment job and resident employment data.) After a strong first quarter, employment has been on a fairly steady downward trend. In fact, the seasonally adjusted 5.14 million Pennsylvanians counted as employed in November represent a low for the first 11 months of 1986.

Hence, the decline in unemployment during November, from 358,000 to 346,000 residents, is somewhat misleading, as is the 0.1 percentage point drop in the jobless rate to a seasonally adjusted 6.3 percent. As was the case in October, the improvement in the unemployment situation was the result of a net outflow of residents from the labor force rather than any gains in employment.

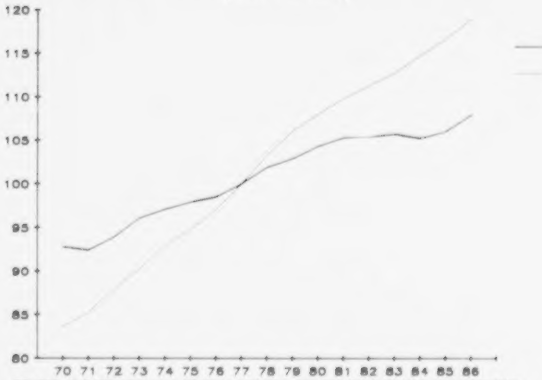
Recent behavior in the index of coincident indicators suggests that Pennsylvania's economy is operating on a sluggish path. November saw a decline of 0.6 percent in the index, the third consecutive drop. Although this should

Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1986		1985	1986		1985	1986		1985
	Oct.	*Nov.*	*Nov.*	*Oct.*	*Nov.*	*Nov.*	*Oct.*	*Nov.*	*Nov.*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	4,893*	4,907	4,830	4,836*	4,846	4,779	105.9*	106.1	104.7
Nonmanufacturing									
No. of wage and salary jobs (thous.)	3,843*	3,862	3,753	3,801*	3,813	3,706	117.9*	118.3	115.0
Mining	34*	34	36	34*	35	36	70.6*	72.1	74.4
Contract construction	221	215	206	205	205	197	111.6	111.6	107.0
Transportation	141	142	140	137	138	137	84.8	86.0	85.1
Public Utilities	101	102	101	101	102	101	100.5	100.8	99.9
Wholesale trade	264	266	258	263	265	257	118.4	119.3	115.8
Retail trade	869	884	852	861	864	832	120.1	120.4	116.0
Finance, insurance & real estate	275	275	266	275	276	267	126.5	126.9	122.7
Service & miscellaneous	1,257	1,253	1,201	1,245	1,248	1,197	144.4	144.7	138.7
Federal government	136*	137	138	138*	138	139	107.3*	107.6	108.3
State & local government	546	555	556	542	544	545	93.0	93.3	93.5
Manufacturing									
No. of wage and salary jobs (thous.)	1,037*	1,034	1,074	1,035*	1,033	1,073	77.1*	76.9	79.9
Durable goods	582*	580	617	582*	580	617	71.9*	71.6	76.2
Nondurable goods	455	454	457	452	452	455	84.9	84.9	85.5
Ave. wkly. hrs. worked by prod. workers	40.3	40.8	40.5	40.3	40.4	40.1	102.1*	102.1	101.5
Total wkly. person-hours worked (mils.)	28.2*	28.4	29.5	28.1*	28.0	29.1	73.1*	73.0	75.9
Total wkly. payroll (mil. dols.)	274.0*	277.7	285.7	274.6*	273.6	281.5	122.2*	121.8	125.3
Steel production (thous. tons)	616	554	982	n.a.	n.a.	n.a.	31.1	28.3	50.1
Industrial electric power sales (mil. kwh)	3,471	3,193	3,344	3,464	3,285	3,477	93.8	89.0	94.1
Mining									
Anthracite coal (thous. net tons)	431	373	321	372	341	297	76.1	69.7	60.7
Bituminous coal (thous. net tons)	5,184	n.a.	5,972†	4,667	n.a.	5,342†	66.2	n.a.	75.7†
Construction contracts awarded (mil. dols.)									
Total	736.5	567.0	546.7*	692.0	622.6	586.0*	215.1	193.5	182.1*
Residential building	334.4	240.1	199.1*	283.1	270.1	220.7*	201.2	191.9	156.8*
Nonresidential building	245.7	254.2	209.1*	186.0	269.9	211.5*	171.4	248.8	195.0*
Nonbuilding (utilities and public works)	156.4	72.7	138.5*	222.9	82.6	153.8*	307.5	113.9	212.2*
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,289	5,229	5,073	5,196	5,140	4,982	108.1	107.0	103.7
Unemployed									
No. of persons (thous.)	322	332	416	357	346	431	89.1	86.4	107.5
Rate (percentage of labor force)	5.7	6.0	7.6						
Rate, seasonally adjusted				6.4	6.3	8.1			
Civilian labor force, no. of persons (thous.)	5,611	5,561	5,489	5,554	5,486	5,413	106.7	105.4	104.0
Initial claims for unemployment benefits	94,980	97,352	114,985	97,040	102,136	116,452	67.8	71.3	81.3

Consumer Prices, all items	Urban Indexes (1967 = 100)			Percentage Change	
	1986		1985	*Month*	*Year*
	Oct.	*Nov.*	*Nov.*	*Ago*	*Ago*
U.S. city average	330.5	330.8	326.6	+0.1	+1.3
Philadelphia	324.7	324.1	318.8	−0.2	+1.7
Pittsburgh	331.8	n.a.	328.4†	n.a.	+1.0
Northeast PA	n.a.	313.5	310.6	n.a.	+0.9

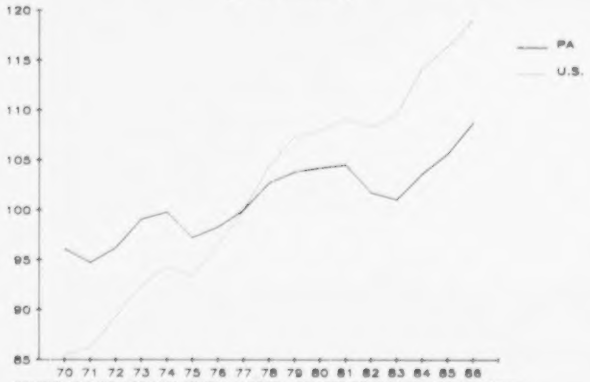
NOTES: Data on employment, payrolls and hours have been revised to first quarter 1985 benchmarks.
[1] Total includes workers on strike. * = figure revised † = figure for October 1985 n.a. = data not available
SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

RESIDENT LABOR FORCE, U.S. AND PA
(1977=100)



SOURCE: THE PENNSYLVANIA STATE UNIVERSITY, COLLEGE OF BUSINESS ADMINISTRATION

RESIDENT EMPLOYMENT, U.S. AND PA
(1977=100)



SOURCE: THE PENNSYLVANIA STATE UNIVERSITY, COLLEGE OF BUSINESS ADMINISTRATION

RESIDENT UNEMPLOYMENT, U.S. AND PA
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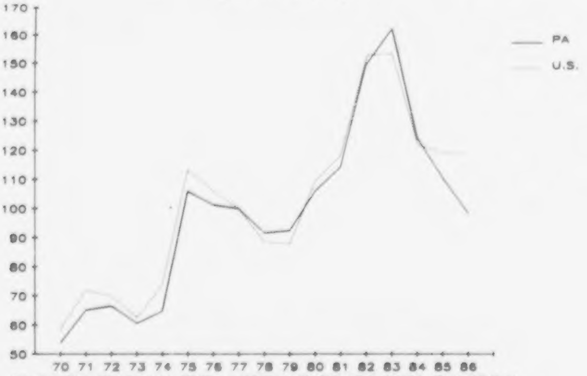
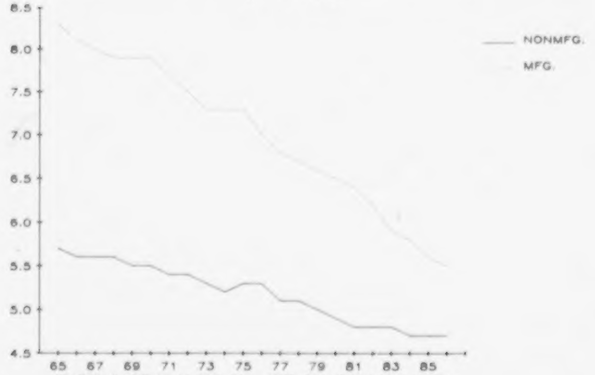


SOURCE: THE PENNSYLVANIA STATE UNIVERSITY, COLLEGE OF BUSINESS ADMINISTRATION

PA'S SHARE OF U.S. NONAGRICULTURAL JOBS
(percent)



SOURCE: PA OFFICE OF EMP. SEC., DEPT. OF LABOR AND INDUSTRY

not be regarded as a perfect measure of current economic activity, it does provide a good general picture of the economy. **Based on trends in the leading index, it appears that these trends will continue.** The index has see-sawed throughout the year and fell 0.3 percent in November.

Much is made of Pennsylvania's standing relative to the nation. Through the first 11 months of 1986, Pennsylvania's performance on the employment/unemployment front stacked up pretty well compared to the nation. However, as the accompanying charts show, **Pennsylvania has a lot of ground to make up relative to the U.S. in terms of labor force and employment growth**. The Commonwealth has seen its position relative to the U.S. deteriorate over the past several years. Surprisingly, Pennsylvania has performed fairly well in terms of the unemployment picture. Part of our strong performance, though, is due to the weakness in the labor force data.

The situation in the State's nonagricultural establishments also gives rise to some concern. **Despite the strength in nonmanufacturing, Pennsylvania has accounted for a smaller and smaller share of U.S. jobs in these industries over the past several years. Much the same is true in manufacturing**, where the problems in Pennsylvania appear to be more severe than in the nation. Clearly, most economic indicators suggest that there is considerable room for improvement over Pennsylvania's overall economic performance relative to the nation's during recent years.

— *William D. Anderson*

Seasonally Adjusted Data

In nearly every issue of the *Survey*, a great deal of attention is given to "seasonally adjusted" data. Just what is meant by this term?

When data is seasonally adjusted, normal seasonal variations are removed from the series. This provides a better indication of the underlying strength (or weakness) of the variable in question. For instance, construction activity is much stronger in the summer relative to the winter months.

A comparison of, say, construction jobs in these two periods will not provide a true indication of underlying trends in the industry since the data is distorted by seasonal factors. The seasonal adjustment technique removes these distortions.

A numerical example, shown in the accompanying table, should help illustrate this concept. Retailers in Pennsylvania typically add more workers during the Christmas shopping season as business picks up. However, many of these positions are seasonal in nature and the workers will be let go shortly thereafter. Hence, a comparison of retail trade job data in November and December with that for other months will probably not provide an adequate representation of underlying trends.

Over the past decade, it appears that Pennsylvania retailers have added in excess of 10,000 positions each November for seasonal reasons (the "Seas. change" column). Most were hired to accomodate the crunch of Christmas shoppers. If the actual change in retail trade job levels exceeds this normal seasonal change, a "seasonally adjusted" increase occurs and it may be concluded that retail trade job growth is stronger than normal. If the actual gain is less than the normal change the results are just the opposite. For instance, in applying the seasonal adjustment technique to the data, it is estimated that 12,400 positions were added in Pennsylvania retail establishments this past November for seasonal reasons. Given that the actual number of jobs rose by 14,800, from 869,000 in October to 883,800 in November, this resulted in a seasonally adjusted gain of 2,400. In other words, the increase in retail trade jobs during November was 2,400 more than usual for that time of year.

Derivation of seasonally adjusted PA retail trade jobs data (in thous.)

	Retail trade jobs (unadjusted)		Abs.	Seas.	Seas. adj.	Retail trade jobs (adjusted)	
	Oct.	Nov.	change	change	change	Oct.	Nov.
1975	683.9	695.3	11.4	10.2	1.2	676.6	677.8
1976	710.1	720.8	10.7	10.2	0.5	702.4	702.9
1977	736.6	755.0	18.4	10.5	7.9	729.0	736.9
1978	766.5	777.8	11.3	10.6	0.7	758.9	759.6
1979	757.7	771.1	13.4	10.7	2.7	750.3	753.0
1980	746.9	757.4	10.5	10.7	−0.2	739.5	739.3
1981	751.0	758.0	7.0	10.6	−3.6	743.5	739.9
1982	745.7	756.6	10.9	10.6	0.3	738.0	738.3
1983	770.0	782.5	12.5	11.0	1.5	762.2	763.7
1984	801.8	819.8	18.0	11.7	6.3	794.1	800.4
1985	833.6	851.9	18.3	12.1	6.2	825.9	832.1
1986	869.0	883.8	14.8	12.4	2.4	861.3	863.7

Source: PA Dept. of Labor and Industry; PA State University

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PENNSYLVANIA BUSINESS SURVEY

College of Business Administration The Pennsylvania State University February 1987

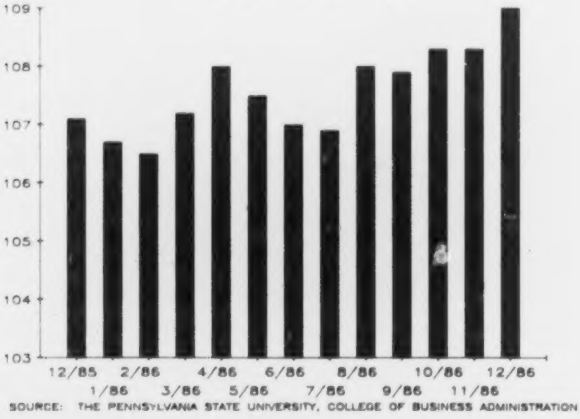
YEAR-END REVIEW AND OUTLOOK
Expansion Continues, But Problems Remain

The performance of the Pennsylvania economy in 1986 is hard to label. Some see strength, pointing to solid employment gains and declines in unemployment. Others cite factory job losses, discrepencies in regional growth, and weak income gains as evidence of problems. Most evidence suggests that **the economy did continue to expand, but growth was modest and uneven, leaving much ground to be made up relative to the U.S.** This is in line with our expectations of a year ago, though the growth was more uneven than anticipated. Good news coming from factories in early 1986 was temporary, leaving nonmanufacturing as the dominant driving force behind the economy.

The situation did improve enough to push the jobless rate down from 8 percent in 1985 to 6.9 percent in 1986, the lowest since 1974. The number of unemployed residents dipped by 58,400 to 383,800. As shown in the accompanying chart, this is the lowest level since 1979. **There were more Pennsylvanians employed than ever before, 5.22 million,** a gain of 2.8 percent from a year ago (see chart).

These trends stack up well relative to the U.S. On the employment front, the national advance was 2.3 percent. Individuals counted as unemployed declined 0.9 percent. The nation's 7 percent unemployment rate exceeded Pennsylvania's for the first time since 1975. However, much of the employment increase occurred in the first half of the year. **After a record number of residents were employed in March, the seasonally adjusted level of employment fell in seven of the last nine months of the year.**

PENNSYLVANIA COMPOSITE INDEX OF LEADING INDICATORS
(Jan 1972=100)



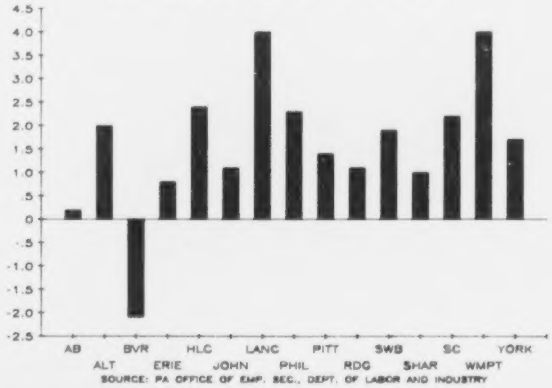
SOURCE: THE PENNSYLVANIA STATE UNIVERSITY, COLLEGE OF BUSINESS ADMINISTRATION

Our long-run performance relative to the nation's leaves a great deal to be desired. **Growth in employment and the labor force since before the onset of the recessions of the early 1980s and since they ended has trailed that in the U.S.** (National recessions occurred over the January-July 1980 and July 1981-November 1982 periods. It is risky to derive similar dates for Pennsylvania, but it is fair to assume that comparisons of 1986 activity with 1979 provide an indication of whether or not the Commonwealth has recouped recession-related losses. Comparisons relative to the 1982/83 period provide a good insight into the strength of the recovery.) Employment growth since 1979, at 4.6 percent, is less than one-half the nation's 10.9 percent. Although we have surpassed pre-recessionary levels of employment, we have lost ground relative to the nation. Employment has expanded by 7.1 percent from the trough of the business cycle (the 1982/83 average) compared to the nation's 9.4 percent. In employment terms, the recovery in Pennsylvania has just not been as strong as in the U.S.

One cause of Pennsylvania's relatively poorer showing in terms of labor force growth is that proportionately more people are giving up their search for work and dropping out of the labor force. Population trends suggest that many of these individuals have left the State. Additionally, because of an older labor force, a proportionately larger number of Pennsylvania workers retire from the workforce relative to the U.S.

There were 3.77 million jobs in Pennsylvania's nonmanufacturing establishments in 1986, a record high. This represents a 3.3 percent increase, slightly better than 1985's 3.2

METROPOLITAN NONAGRICULTURAL JOB GROWTH, 1986
(percentage change from 1985)



SOURCE: PA OFFICE OF EMP. SEC., DEPT. OF LABOR AND INDUSTRY percent advance. Much of the gain occurred in the first half of the year. **Construction activity moved forward at a brisk pace.** Jobs expanded by 5.8 percent to 201,000, the largest number of workers since 1979. Contracts awarded averaged $708.2 million per month, up by one-fifth from 1985. The residential building and nonbuilding categories led the way, spurred by declining mortgage rates and infrastructure improvement projects.

Within the service-producing category, trade, finance, and services carried the bulk of the load. They account for 54.2 percent of all jobs compared to 42.6 percent in 1975. These industries are less vulnerable to foreign competition. Income gains go a long way in determining the health of these industries. Although personal income in the Commonwealth is not increasing as fast as in the nation, it is on the rise. Some industry groups are not restricted to local markets. Their services are often exported to those areas experiencing the fastest economic growth.

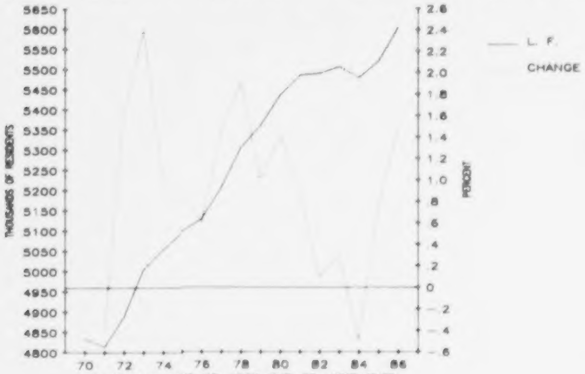
The job picture in the transportation and public utilities group remains cloudy after the number of positions fell for the second consecutive year. Job levels are well below their pre-recessionary readings. Weak population growth has probably put downward pressure on the demand for some services provided. Many of these industries are operating in recently deregulated environments, causing them to cut costs in the face of increased competitive pressures. In the public sector, attempts at both the State and national levels to control expenditures have held government job growth in check.

Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1986		1985	1986		1985	1986		1985
	Nov.	*Dec.*	*Dec.*	*Nov.*	*Dec.*	*Dec.*	*Nov.*	*Dec.*	*Dec.*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	4,904*	4,899	4,827	4,844*	4,852	4,790	106.1	106.3	104.9
Nonmanufacturing									
No. of wage and salary jobs (thous.)	3,859*	3,856	3,753	3,811*	3,818	3,715	118.2*	118.4	115.3
Mining	34*	33	35	34*	34	36	70.6*	70.8	74.8
Contract construction	216*	202	194	206*	205	196	112.0*	111.2	106.7
Transportation	141*	140	140	137*	137	138	85.3*	85.4	85.4
Public Utilities	102*	102	101	101*	101	101	100.7*	100.4	99.8
Wholesale trade	265*	265	259	264*	265	258	119.2*	119.3	116.3
Retail trade	884	897	866	864	867	836	120.4	120.9	116.5
Finance, insurance & real estate	275	276	265	276	277	266	126.8	127.1	122.4
Service & miscellaneous	1,253	1,253	1,202	1,248	1,252	1,202	144.7	145.2	139.3
Federal government	137	137	138	138	138	139	107.7	107.6	108.4
State & local government	553*	551	554	543*	543	546	93.1*	93.2	93.6
Manufacturing									
No. of wage and salary jobs (thous.)	1,035*	1,032	1,072	1,033	1,034	1,074	77.0*	77.1	80.1
Durable goods	582*	582	615	582*	583	617	71.9*	72.1	76.2
Nondurable goods	453*	451	457	451*	450	457	84.8*	84.6	85.9
Ave. wkly. hrs. worked by prod. workers	40.8	41.2	41.0	40.4	40.9	40.7	102.1	103.4	103.0
Total wkly. person-hours worked (mils.)	28.4	28.6	29.8	28.0	28.4	29.6	73.0	74.1	77.2
Total wkly. payroll (mil. dols.)	278.2*	282.4	290.7	274.0*	278.0	286.2	122.0*	123.7	127.4
Steel production (thous. tons)	554	506	845	n.a.	n.a.	n.a.	28.0	28.6	47.8
Industrial electric power sales (mil. kwh)	3,193	3,404	3,416	3,321	3,491	3,499	89.9	94.5	94.7
Mining									
Anthracite coal (thous. net tons)	373	340	396	351	323	387	71.9	66.2	79.3
Bituminous coal (thous. net tons)	4,073	n.a.	4,181†	4,777	n.a.	4,782†	67.7	n.a.	67.8†
Construction contracts awarded (mil. dols.)									
Total	567.0	553.2	526.4*	619.5	645.4	622.0	192.6	200.6	193.3*
Residential building	240.1	247.7	209.3*	292.3	323.3	272.4	207.7	229.7	193.5
Nonresidential building	254.2	152.9	167.5*	232.2	179.2	202.2	214.0	165.2	186.4
Nonbuilding (utilities and public works)	72.7	152.6	149.6*	95.0	142.9	147.4	131.1	197.1	203.4
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,229	5,182	5,139	5,140	5,165	5,122	107.0	107.5	106.6
Unemployed									
No. of persons (thous.)	332	256	405	346	275	423	86.4	68.5	105.5
Rate (percentage of labor force)	6.0	4.7	7.3						
Rate, seasonally adjusted				6.3	5.1	7.8			
Civilian labor force, no. of persons (thous.)	5,561	5,439	5,544	5,486	5,439	5,545	105.4	104.5	106.5
Initial claims for unemployment benefits	97,352	155,335	175,766	98,340	104,657	115,501	68.7	73.1	80.7

Consumer Prices, all items	Urban Indexes (1967 = 100)			Percentage Change	
	1986		1985	*Month*	*Year*
	Oct.	*Nov.*	*Nov.*	*Ago*	*Ago*
U.S. city average	330.8	331.1	327.4	+0.1	+1.1
Philadelphia	324.1	325.2	319.7	+0.3	+1.7
Pittsburgh	n.a.	333.0	331.5	n.a.	+0.5
Northeast PA	313.5	n.a.	310.6†	n.a.	+0.9

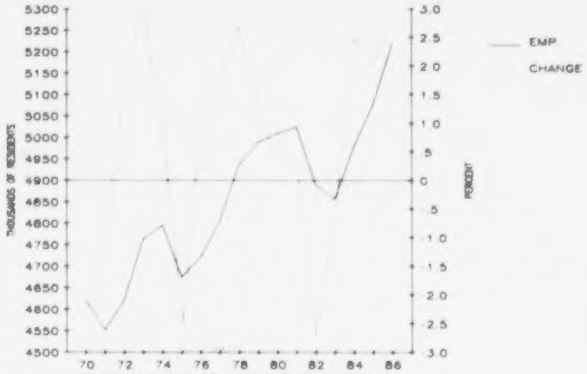
NOTES: Data on employment, payrolls and hours have been revised to first quarter 1985 benchmarks.
[1] Total includes workers on strike. * = figure revised † = figure for November 1985 n.a. = data not available
SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

PA LABOR FORCE AND ANNUAL RATES OF CHANGE
(labor force in thousands; annual change in percent)



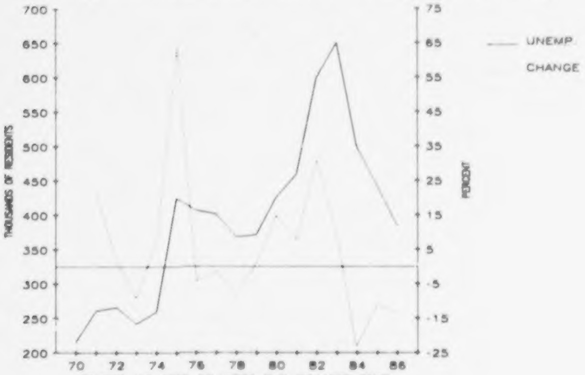
SOURCE: U.S. DEPT. OF LABOR, BUR. OF LABOR STATS.

PA EMPLOYMENT AND ANNUAL RATES OF CHANGE
(employment in thousands; annual change in percent)



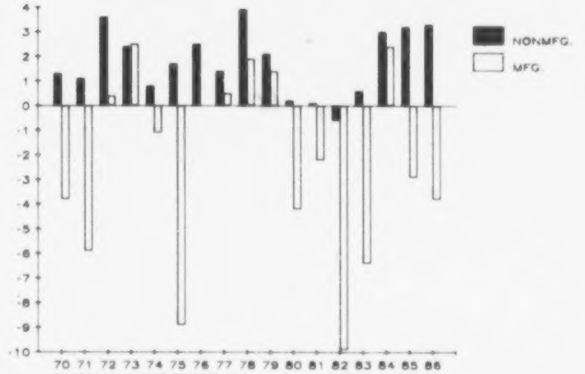
SOURCE: U.S. DEPT. OF LABOR, BUR. OF LABOR STATS.

PA UNEMPLOYMENT AND ANNUAL RATES OF CHANGE
(unemp. in thousands; annual change in percent)



SOURCE: U.S. DEPT. OF LABOR, BUR. OF LABOR STATS.

PA NONAGRICULTURAL JOB GROWTH
(percent)



SOURCE: PA OFFICE OF EMP. SEC., DEPT. OF LABOR AND INDUSTRY

The overall strength in Pennsylvania's service-producing industries trails the nation's. The 3.2 percent job gain in the Commonwealth for 1986 falls 0.3 percentage point below the nation's gain. However, in the largest category, services, job gains were in line with U.S. trends. A strong performance on the retail sales front helped push job gains in the trade sector above the national average. But again, the Commonwealth's performance relative to the most recent peak and trough of the business cycle leaves much to be desired.

Mining activity continues on a downward trend. The 34,400 positions in 1986 represent a low over a period stretching back to 1962 when comparable data were first kept. Output of bituminous coal, which is mostly used in the generation of electricity and steelmaking, peaked in 1979. Since then, it has declined in six of seven years. Production figures for anthracite coal, which is mainly used in home heating, go back to 1963 and show a steady decline.

Difficulties in manufacturing prevented the economy from realizing higher growth. A record low 1.05 million jobs were maintained, down 3.8 percent from 1985. Durable goods producers cut 5.3 percent of their jobs compared to a 1.7 percent fall for nondurables. Only one durable goods industry, lumber and wood products, showed a job increase, but that category is very small with only 26,000 jobs. The big losers were the three largest industries: primary metals, machinery, and electronic equipment. The decline in nondurables jobs was concentrated in the largest industry, apparel and textiles.

Output from Pennsylvania steel mills fell again in 1986 to an average of 796,000 tons per month, a record low. The USX work stoppage helped keep production down, but during the first seven months of the year, before the strike occurred, output averaged 963,000 tons, the second lowest level on record.

Foreign competition has contributed to manufacturing's sluggishness. However, **most evidence suggests that Pennsylvania is operating at a competitive disadvantage relative to the rest of the U.S.** We are losing jobs to other states as well as abroad. Factors which *may* be contributing to this trend have to do with costs, the regulatory climate, and the infrastructure network. Gains in productivity and efficiency have also put downward pressure on manufacturing job totals. Manufacturers can produce more goods with fewer workers.

Manufacturing's problems appear to be more severe in Pennsylvania than in the U.S. economy as a whole. The job performance in 1986 in both the durable and nondurable goods industries failed to match national growth levels. For instance, Pennsylvania's nondurable goods job loss is even more discouraging in light of a 0.6 percent national advance. Job levels in the U.S. are up by 3.1 percent from the 1982/1983 average, while Pennsylvania factories employ fewer workers. The Commonwealth's shortfall relative to 1979 is about three times larger than that for the U.S.

Although the average factory workweek continues to expand from the recessions of the early 1980s, it is not approaching levels which would dictate the hiring of additional workers. Total hours worked, factory payrolls, and industrial electric power sales each fell in 1986. Power sales are a good indicator of industrial production. The behavior of this output measure of manufacturing activity is much more positive than that for the job data. In other words, **despite heavy job losses, manufacturing output has probably at least held its own.**

Nonagricultural job levels rose 1.8 percent last year to 4.82 million, a record high, as nonmanufacturing's gains more than offset manufacturing's losses. Pennsylvania's gain fell short of the nation's 2.6 percent advance. Many analysts regard the establishment data, because of the larger sample size, as a better indicator of employment trends than the resident figures.

Several trends and developments at the national level will help determine the U.S. economy's performance next year. The reaction of the business and consumer sectors to the new tax laws will play a role. Although a narrowing of the budget deficit should help push interest rates down, cuts in government spending will diminish the demand for final goods and services, acting to pull down overall growth. Our foreign trade deficit will play a major role in determining the near-term performance of the economy. Improvements in the imbalance should give U.S. industry, especially manufacturing, a much-needed boost, although recent declines in the value of the dollar relative to many other currencies have not yet translated into much improvement in the trade picture.

Annual Review of Major Economic Indicators — Pennsylvania and the United States

	Pennsylvania					United States		
	Mo. Ave.		Pct. change from			Pct. change from		
	1986	1985	1985	82/83 ave	1979	1985	82/83 ave	1979
No. of wage and salary jobs (thous.)								
All nonfarm industries	4,822	4,739	1.8	5.8	0.1	2.6	11.4	11.5
Manufacturing	1,048	1,089	-3.8	-7.5	-24.4	-0.7	3.1	-8.8
Durable goods	595	628	-5.3	-9.0	-30.3	-1.5	4.2	-11.1
Primary metals	91	104	-12.5	-30.8	-55.4	-5.5	-12.4	-38.8
Nondurable goods	453	461	-1.7	-5.5	-15.0	0.6	1.6	-5.3
Nonmanufacturing	3,767	3,647	3.3	10.2	10.2	3.4	13.6	17.7
Mining	34	36	-5.6	-20.0	-34.6	-14.8	-23.8	-17.3
Construction	201	190	5.8	20.4	-1.5	5.8	26.3	11.2
Service-producing industries	3,531	3,421	3.2	10.0	11.6	3.5	13.5	18.7
Transportation and public utilities	238	239	-0.4	-2.7	-12.5	0.8	5.3	2.9
Wholesale trade	260	254	2.4	8.1	8.8	2.0	11.0	12.5
Retail trade	852	815	4.5	14.2	13.1	3.5	16.8	19.9
Finance, insurance, and real estate	273	262	4.2	13.0	16.7	5.9	16.6	26.7
Services and miscellaneous	1,230	1,171	5.0	16.1	30.3	5.0	19.1	34.8
Federal government	138	138	0.0	3.8	5.3	0.8	5.2	4.5
State and local government	541	542	-0.2	-0.8	-8.3	2.2	5.7	5.0
Ave. wkly. hours worked by production workers								
All manufacturing industries	40.3	39.9	1.0	3.9	1.0	0.5	3.0	1.2
Durable goods	41.1	41.0	0.2	3.5	-0.2	0.5	3.5	1.5
Primary metals	40.8	40.7	0.2	6.7	-1.4	1.2	6.2	1.4
Nondurable goods	39.2	38.6	1.6	4.1	3.4	0.8	2.6	1.5
Total factory person-hours worked (mils.)	28.5	29.5	-3.4	-4.7	-28.2	-0.3	6.2	-12.4
Total factory payrolls (mil. dols.)	277	283	-2.1	5.3	0.0	1.9	19.5	27.5
Steel production (thou. tons)	796	1,003	-20.6	-20.1	-66.1	-8.8	1.1	-41.0
Industrial electric power sales (mil. kwh)	3,453	3,510	-1.6	3.1	-12.7	-0.5	7.9	-2.5
Mining								
Anthracite coal (thou. net tons)[1]	313	392	-20.2	-13.4	-22.3			
Bituminous coal (thou. net tons)	4,833	5,045	-4.2	-17.4	-35.0	41.1	48.8	44.4
Construction contracts awarded								
Total, current dollars (mils.)	708.2	584.0	21.3	80.0	83.7	4.7	39.1	44.4
Residential building	311.3	255.5	21.8	98.9	85.5	11.0	57.9	61.8
Nonresidential building	218.4	195.0	12.0	49.5	61.2	-2.2	33.4	61.9
Nonbuilding (utilities and public works)	178.5	133.5	33.7	96.6	117.2	2.1	9.9	-5.4
Total, constant 1982 dollars (mils.)[2]	633.4	533.8	18.7	63.3	32.8	2.5	26.2	4.4
Residential building	278.5	233.6	19.2	80.8	34.1	8.6	43.6	16.9
Nonresidential building	195.3	178.2	9.6	35.4	16.5	-4.3	21.0	17.0
Nonbuilding	159.6	122.0	30.8	77.8	56.9	-0.1	-0.4	-31.6
Employed, no. of persons (thous.)	5,219	5,077	2.8	7.1	4.6	2.3	9.4	10.9
Unemployed								
No. of persons (thous.)	384	442	-13.1	-38.5	3.5	-0.9	-23.0	34.2
Rate (percentage of labor force)	6.9	8.0						
Civilian labor force, no. of persons (thous.)	5,603	5,519	1.5	1.9	4.5	2.1	6.3	12.3
Initial claims for unemployment benefits (thous.)	111	126	-11.9	-35.8	-22.9			
Consumer Price Index for All Urban Consumers, all items (1967 = 100)								
U.S. city average						1.9	11.8	51.1
Philadelphia	322.0	314.2	2.5	13.8	50.7			
Pittsburgh	330.2	326.6	1.1	10.7	52.0			
Northeast PA	310.7	306.1	1.5	11.6	47.5			

NOTES: All data are preliminary and are subject to revision.

[1] Pennsylvania is the only state mining anthracite coal.

[2] Deflated by an estimated annual average of the U.S. Department of Commerce Monthly Composite Construction Cost Index.

In Pennsylvania, manufacturing will be a key determinant of the economy's future performance. A stabilization in the Commonwealth's fair share of production and jobs appears essential for the economy to grow at a stronger pace. That won't happen over the short-run. Hence, at the most, we can count on a minimal increase in the goods-producing sector's contribution to overall economic growth.

Strength in the service-producing industries should be enough to keep the economy moving ahead at a pace similar to what we experienced in 1986. Until manufacturing can hold its own, it will be hard to do much better than this scenario.

The bulk of all growth will again occur in southeastern Pennsylvania. These areas appear to be in much better shape to cope with manufacturing's difficulties. Furthermore, much of the growth will probably occur in or near urbanized areas.

Given these general observations, we foresee the following trends in 1987:

- Although more manufacturing jobs will be lost, the declines probably won't be as great as 1986's drop.
- Nonmanufacturing will show job gains similar to the 3.3 percent increase registered in 1986. The private-sector service-producing industries will again lead the way. Construction activity will remain high, though the growth rates of last year will probably not be repeated.
- Overall resident employment will hold steady or expand slightly from 1986's record high. The jobless rate will remain in the 6-7 percent range.

Should these trends transpire, **the economic expansion which began near the beginning of 1983 should continue for at least another year.** On the negative side, such a growth path probably will not lead to any noticeable improvement in the Commonwealth's economy relative to the U.S. For that to happen, more balanced growth, across industries and regions, must be achieved.

— *William D. Anderson*

Announcing . . .

A 15-page study, "Educational Attainment in Pennsylvania," is now available from the College of Business Administration's Center for Regional Business Analysis. Originally summarized in the June 1986 issue of the *Survey*, this study analyzes historical trends in educational attainment levels in the Commonwealth. In addition to overall trends, the study also analyzes developments in various age groups. Specific attention is given to Pennsylvania's standing relative to the nation. It is currently available, free of charge, by writing to: The Pennsylvania State University, College of Business Administration, Center for Regional Business Analysis, 108 BAB II, University Park, PA 16802.

This is the second study released as part of the *Pennsylvania Economic Studies* series. Additional studies will be announced as relevant research results become available.

Housing Permits Report

Although activity seems to have slowed somewhat in the fourth quarter, Pennsylvania's housing industry turned in a solid performance in 1986. All told, 55,401 housing units were estimated to have been authorized, up 27.2 percent from 1985. Of these, 46,332 were for single-family housing, up 33.8 percent. The value of total housing construction in the Commonwealth was up 42.9 percent last year while the value of single-unit construction rose 49.1 percent.

These developments are especially encouraging in light of trends in the U.S. Regardless of how activity is measured, be it the growth in the number of permits authorized or their value, Pennsylvania came out ahead of the U.S. in 1986. On the negative side, growth did slow considerably during the final three months of the year which may be a sign of things to come.

Housing activity is forecast to hold steady nationally, an outlook in line with expectations for Pennsylvania. This will leave the industry operating at a pretty brisk pace in 1987, though the growth rates of 1986 will probably not be realized.

Pennsylvania Housing Units Authorized In Permit Issuing Places

	Total	Pct. change from yr. ago	Single units	Pct. change from yr. ago
1986:IVQ	12,024	16.5	10,275	18.3
1986:IIIQ	17,867	40.9	14,165	37.5
1986 YTD	55,401	27.2	46,332	33.8

Source: U.S. Dept.of Commerce,
Bureau of the Census

Value of Pennsylvania Housing Units Authorized In Permit Issuing Places (thousands of dollars)

	Total	Pct. change from yr. ago	Single units	Pct. change from yr. ago
1986:IVQ	703,553	30.2	647,290	33.1
1986:IIIQ	978,292	59.4	852,837	60.0
1986 YTD	3,119,769	42.9	2,811,220	49.1

Source: U.S. Dept.of Commerce,
Bureau of the Census

Around the State

Northeastern Quarter

Allentown-Bethlehem

Losses in the manufacturing sector continued to rock the Allentown-Bethlehem economy in 1986, keeping overall growth to a minimum. Nonagricultural job growth was held to 0.7 percent, well below the State's 1.8 percent advance. Manufacturing lost 8.9 percent of its jobs. This translates into a decline of 7,800 positions and left job levels at 79,700, the lowest reading since data collection began in 1950. The metropolitan area's three largest manufacturers, apparel products, primary and fabricated metals, and electronic equipment, each realized hefty job losses. A decline in the average factory workweek does not point to any near-term improvement in hiring trends. Electricity sales to industry, a good indicator of industrial production, fell just 1.7 percent, suggesting that the employment situation probably overestimates the true difficulties in the region.

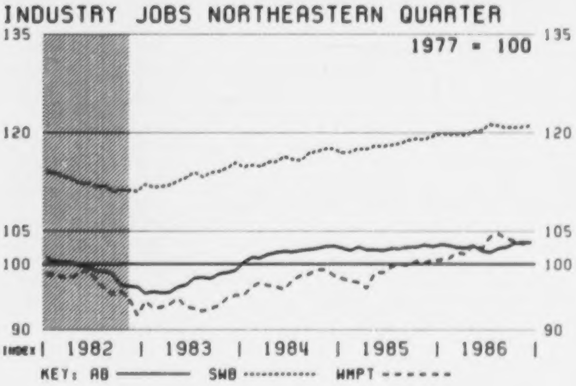
The region's nonmanufacturing sector did its fair share to keep the economy moving forward. A 4.9 percent jump left job levels at 183,500, the highest reading on record and an increase well in excess of the State's 3.3 percent rise. The construction industry added 1,200 workers for a strong 12.4 percent gain. Contract values were up 34 percent on the residential side to $303.3 million. Nonresidential contracts rose 54 percent to $184.7 million. Other big gains were realized in the service-producing industries. Services jobs grew by 6.1 percent, trade by 5.6 percent, and finance-related by 3 percent.

Unemployment in the region fell again in 1986. The jobless rate dropped from 8 to 7.4 percent. However, this is still higher than the State's 6.9 percent reading. Employment of the region's residents did rise to a record high of 292,600, but the increase fell short of the Statewide gain. Much the same is true for the labor force, which also grew sluggishly, albeit to a record high.

In sum, the overall economy's performance in 1986, despite some gains, left considerable room for improvement. Expectations for 1987 suggest a continuation of this trend. Strong population gains as the area absorbs in-migrants from nearby metropolitan regions should help maintain a strong level of nonmanufacturing activity. However, without help from manufacturing, the economy will have difficulty moving to a higher growth track.

Scranton-Wilkes-Barre

Economic conditions improved slightly in 1986 in the Scranton-Wilkes-Barre region but growth remained slow and uneven. Trends on the employment/unemployment front were very similar to those throughout Pennsylvania. Resident employment rose 2.9 percent to a record high 312,100, a gain very much in line with the Commonwealth's 2.8 percent rise. The number of residents counted as unemployed fell 11.6 percent compared to a 13.1 percent decline in Pennsylvania. A 1.5 percent increase in the labor force was identical to the Statewide gain. The end result was a 1.2 percentage point fall in the jobless rate to 8.3 percent.



SHADED AREA REPRESENTS PERIOD OF NATIONAL RECESSION

Nonmanufacturing contributed greatly to economic growth last year. The number of jobs in these establishments rose by 3.1 percent, only slightly below the 3.3 percent increase throughout Pennsylvania. The 207,700 nonmanufacturing positions represent an all-time high. A good deal of the growth occurred in the service-producing industries where the job increase came in at 2.9 percent.

Construction activity was also on the rise last year. Job levels rose from 10,700 to 11,300. The value of construction contracts awarded for residential projects increased by 11 percent to $228.4 million. Nonresidential contracts were up by 65 percent to $113.7 million.

The bad news comes from manufacturing where a record low 72,600 positions were maintained in 1986, down 1.2 percent from the previous year. Unlike the situation elsewhere, job losses in the nondurable goods industries, at 1.5 percent, were higher than that for durable goods where 0.7 percent of all jobs were lost last year. The region's largest manufacturing industry, apparel products, lost another 900 jobs in 1986. Unfortunately, a fairly low average factory workweek

Allentown-Bethlehem Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	4 Q.'86	4 Q.'86	3 Q.'86	4 Q.'85
Employment *(in thousands)*				
Employed, no. of residents	292.3	106	106	105
Unemployed, no. of residents	16.1	85	108	129
Rate, seasonally adjusted	5.8			
Civilian labor force, no. of residents	308.4	104	107	107
Local Industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	266.0	103	102	103
Nonmfg. only, no. of jobs	187.9	126	124	120
Mfg. only, no. of jobs	77.9	73	72	79
Hrs. worked by production workers in mfg., *ave. weekly*	39.2	102	102	102
Industrial electric power sales				
Metropolitan area	•••	108	108	108
Allentown	•••	97	97	101
Bethlehem	•••	116	117	114
Easton	•••	103	104	104
Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	303.3	+34		
Nonresidential contracts only	184.7	+54		

[1] Lehigh, Northampton, and Carbon Counties, Pa., and Warren County, N.J.

Scranton-Wilkes-Barre Area[1]

	Ave. mo. value *4 Q.'86*	Average monthly index seas. adj. (1977 = 100) *4 Q.'86*	*3 Q.'86*	*4 Q.'85*
Employment *(in thousands)*				
Employed, no. of residents				
Metropolitan area	311.7	109	111	107
Lackawanna County[2]	96.1	105	107	104
Luzerne County[3]	144.3	106	108	105
Unemployed, no. of residents				
Metropolitan area	22.7	74	90	95
Rate, seasonally adjusted	7.3			
Lackawanna County[2]	6.2	73	82	81
Luzerne County[3]	12.3	79	93	105
Civilian labor force, no. of residents				
Metropolitan area	334.4	105	109	106
Lackawanna County[2]	102.3	102	105	102
Luzerne County[3]	156.6	103	106	105
Local Industries, Metropolitan area *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	282.9	108	108	106
Nonmfg. only, no. of jobs	210.2	118	118	115
Mfg. only, no. of jobs	72.7	87	87	88
Hrs. worked by production workers in mfg., *ave. weekly*	37.6	n.a.	n.a.	n.a.
Industrial electric power sales				
Metropolitan area[4]	•••	109	107	101
Lackawanna County[2]	•••	121	118	111
Luzerne County[3]	•••	96	96	93
Hazleton	•••	89	88	84
Wilkes-Barre	•••	99	99	98
Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	228.4	+11		
Nonresidential contracts only	113.7	+65		

[1] Columbia, Lackawanna, Luzerne, Monroe, and Wyoming Counties

[2] Includes Scranton

[3] Includes Wilkes-Barre and Hazleton

[4] Excludes Wyoming County

will not put any pressure on hiring activity in the near-term.

This rather dismal job performance probably exaggerates manufacturing's difficulties. Electricity sales to industry, a good barometer of industrial production, appear to be on an upward trend. Hence, it is pretty safe to say that manufacturing output is at least holding steady.

This overall moderate growth path will probably not be improved upon in the near-term. Nonmanufacturing's gains should be enough to get the economy through 1987 with a minimum of difficulties. However, because of manufacturing's problems, growth will continue to be modest and uneven.

Williamsport

Although there is still a fair amount of ground to be made up, the economy of the Williamsport region grew at a brisk pace in 1986. In fact, it provides another good example of just how strong an economy can be with a little help from manufacturing. While Pennsylvania lost 3.8 percent of its manufacturing jobs last year, the Williamsport area realized a 2 percent gain. However, the 15,000 positions in these establishments remain well below pre-recessionary levels. Both the durable and nondurable goods categories showed nice gains. Manufacturing's relative strength is reflected in an 8.2 percent rise in sales of electricity to industrial customers. Furthermore, the average factory workweek rose in the manufacturing sector.

Some of this strength appears to have spilled over into nonmanufacturing where job levels grew by 4.9 percent last year, well in excess of the Statewide gain of 3.3 percent. The 32,300 nonmanufacturing positions in 1986 represent an all-time high. Service-producing jobs grew by a solid 4.5 percent. In the region's largest industry, trade, job levels rose by 600 to 10,600.

Based on the value of contracts awarded, construction activity was up in the region last year. On the residential side, contract values rose 21 percent to $21 million. Nonresidential contracts were valued at $40.1 million in 1986, up by 52 percent from 1985.

The economy's overall strength is reflected in the employment/unemployment data. At 5.3 percent, resident employ-

	Allentown-Bethlehem			Altoona			Beaver		
	1986	1985	Percentage Change 85-86	1986	1985	Percentage Change 85-86	1986	1985	Percentage Change 85-86
Local Industries									
No. of wage and salary jobs (thous.)									
All nonfarm industries	263.3	262.9	0.2	50.1	49.1	2.0	52.4	53.5	-2.1
Manufacturing	79.7	87.5	-8.9	11.1	11.1	0.0	11.0	14.0	-21.4
Durable goods	38.0	43.9	-13.4	4.4	4.6	-4.3	8.7	11.8	-26.3
Nondurable goods	41.7	43.6	-4.4	6.7	6.5	3.1	2.3	2.3	0.0
Nonmanufacturing	183.5	175.0	4.9	39.0	38.0	2.6	41.0	39.5	3.8
Ave. wkly. hours worked by production workers									
Manufacturing	38.7	39.2	-1.3	39.2	39.2	0.0	41.0	39.8	3.0
Durable goods	40.2	41.4	-2.9	39.5	39.2	0.8	41.0	39.7	3.3
Nondurable goods	37.4	37.2	0.5	38.9	39.2	-0.8	41.0	40.3	1.7
Industrial electric power sales index (1977 = 100)	106.7	108.5	-1.7	74.3	81.5	-8.8			
Employment of Residents									
Employed, no. of persons (thous.)	292.6	289.5	1.1	53.6	51.9	3.3	57.7	58.0	-0.5
Unemployed									
No. of persons (thous.)	23.4	25.3	-7.5	5.3	5.7	-7.0	8.1	10.2	-20.6
Rate (percentage of labor force)	7.4	8.0		9.0	10.0		12.3	14.9	
Civilian labor force, no. of persons (thous.)	316.1	314.8	0.4	58.9	57.7	2.1	65.8	68.2	-3.5

NOTE: All 1986 data are preliminary and are subject to revision.
All data are average of monthly figures.

ment growth in the region was the second highest among the State's 15 metropolitan areas, trailing only State College. All told, 51,600 residents, a record high, were counted as employed last year. This gain was strong enough to absorb a solid 3 percent gain in the labor force and reduce the number of unemployed by a startling 23.5 percent. These trends helped lower the jobless rate by 2.4 percentage points to 7 percent, still slightly above the State's 6.9 percent rate.

It is certainly easy to be enthused about the future course of the economy in the Williamsport region. At the least, the economy may follow Statewide trends and show moderate growth in 1987. However, if manufacturing continues to contribute as it did last year, the economy will remain among the fastest growing in the State.

Southwestern Quarter

Altoona

Although many problems persist, Altoona's economy remained on a moderate growth path in 1986. On the positive side, there were relatively solid gains in resident employment and the labor force. All told, 53,600 residents (a record high) were employed last year compared to 51,900 in 1985, a gain of 3.3 percent. Statewide, the gain was 2.8 percent. The region's labor force rose by 2.1 percent in 1986 to 58,900, also a new record. Unemployment remains a problem despite some recent improvements. The number of residents counted as unemployed fell for the third straight year, settling at

	Erie			Harrisburg-Lebanon-Carlisle			Johnstown		
	1986	1985	Percentage Change 85-86	1986	1985	Percentage Change 85-86	1986	1985	Percentage Change 85-86
Local Industries									
No. of wage and salary jobs (thous.)[1]									
All nonfarm industries	110.2	109.3	0.8	282.8	276.3	2.4	76.8	76.0	1.1
Manufacturing	34.1	36.0	−5.3	50.5	52.1	−3.1	12.4	12.4	0.0
Durable goods	24.0	25.9	−7.3	22.3	24.1	−7.5	7.2	7.0	2.9
Nondurable goods	10.2	10.1	1.0	28.2	28.0	0.7	5.2	5.4	−3.7
Nonmanufacturing	76.1	73.3	3.8	232.2	224.1	3.6	64.4	63.6	1.3
Ave. wkly. hours worked by production workers									
Manufacturing	42.0	42.0	0.0	39.7	39.5	0.5	37.7	37.3	1.1
Durable goods	40.9	41.3	−1.0	40.5	40.0	1.3	39.5	38.8	1.8
Nondurable goods	44.6	44.1	1.1	39.1	39.1	0.0	35.0	35.3	−0.8
Industrial electric power sales index (1977 = 100)	98.5	92.5	6.5	68.8	74.0	−7.0	163.5	148.0	10.5
Employment of Residents									
Employed, no. of persons (thous.)	117.4	115.2	1.9	288.7	278.5	3.7	84.8	83.1	2.0
Unemployed									
No. of persons (thous.)	10.9	10.9	0.0	14.3	16.6	−13.9	10.0	12.1	−17.4
Rate (percentage of labor force)	8.5	8.6		4.7	5.6		10.5	12.7	
Civilian labor force, no. of persons (thous.)	128.3	126.1	1.7	302.9	295.1	2.6	94.9	95.2	−0.3

NOTE: All 1986 data are preliminary and are subject to revision.
All data are average of monthly figures.

	Lancaster			Philadelphia			Pittsburgh		
	1986	1985	Percentage Change 85-86	1986	1985	Percentage Change 85-86	1986	1985	Percentage Change 85-86
Local Industries									
No. of wage and salary jobs (thous.)									
All nonfarm industries	172.6	165.9	4.0	2,095.1	2,047.8	2.3	862.1	849.9	1.4
Manufacturing	59.2	58.1	1.9	391.4	397.5	−1.5	130.6	139.3	−6.2
Durable goods	33.8	33.6	0.6	209.5	213.7	−2.0	95.4	102.8	−7.2
Nondurable goods	25.4	24.5	3.7	181.9	183.8	−1.0	35.1	36.5	−3.8
Nonmanufacturing	113.4	107.8	5.2	1,700.5	1,649.1	3.1	729.8	709.8	2.8
Ave. wkly. hours worked by production workers									
Manufacturing	40.5	39.9	1.5	40.0	40.1	−0.2	41.0	40.7	0.7
Durable goods	41.2	40.6	1.5	40.7	41.1	−1.0	41.2	40.8	1.0
Nondurable	39.7	39.0	1.8	39.3	39.0	0.8	40.6	40.2	1.0
Industrial electric power sales index (1977 = 100)	129.6	123.7	4.8	101.1	100.3	0.8	58.2	67.2	−13.4
Employment of Residents									
Employed, no. of persons (thous.)	198.5	189.2	4.9	2,221.3	2,157.6	3.0	890.5	868.6	2.5
Unemployed									
No. of persons (thous.)	7.2	8.9	−19.1	122.1	135.8	−10.1	76.2	89.6	−15.0
Rate (percentage of labor force)	3.5	4.5		5.2	5.9		7.9	9.4	
Civilian labor force, no. of persons (thous.)	205.6	198.1	3.8	2,343.4	2,293.4	2.2	966.7	958.2	0.9

NOTE: All 1986 data are preliminary and are subject to revision.
All data are average of monthly figures.

5,300. That helped bring about a fourth consecutive decline in the jobless rate which fell 1 percentage point to 9 percent, the third highest rate among the State's 15 metropolitan areas.

There were wide discrepencies between the performances of the manufacturing and nonmanufacturing sectors. Job levels in the region's manufacturing industries held steady last year at 11,100. Except for 1983, just as the recession was bottoming out, this represents the lowest level in nearly 30 years. Durable goods producers lost 4.3 percent of their jobs in 1986. Job levels grew by 3.1 percent on the nondurables side. Fairly low average factory workweeks suggest that hiring activity will not rise appreciably. Industrial power sales, a good indicator of industrial production and output, fell 8.8 percent over the course of the year.

The situation was quite different in the nonmanufacturing sector where job levels rose by 2.6 percent to 39,000, only slightly below the record high of 39,200 set in 1978. In the service-producing category, job growth came in at 2.5 percent last year, well below the Commonwealth's 3.2 percent advance. In the largest industry, trade, job growth totaled 6.4 percent as 800 new positions were added.

Based on the value of contracts awarded, construction activity in the region was somewhat disappointing relative to trends in the State as a whole. Residential contract values actually fell 20 percent to $18.6 million in 1986. On the nonresidential side, there was just a slight 7 percent gain to $17.6 million.

	Reading			Scranton-Wilkes-Barre			Sharon		
	1986	1985	Percentage Change 85-86	1986	1985	Percentage Change 85-86	1986	1985	Percentage Change 85-86
Local Industries									
No. of wage and salary jobs (thous.)									
All nonfarm industries	143.9	142.3	1.1	280.4	275.2	1.9	40.4	40.0	1.0
Manufacturing	48.4	50.4	-4.0	72.6	73.5	-1.2	9.7	10.3	-5.8
Durable goods	28.7	30.8	-6.8	28.1	28.3	-0.7	8.5	9.0	-5.6
Nondurable goods	19.7	19.5	1.0	44.5	45.2	-1.5	1.3	1.3	0.0
Nonmanufacturing	95.5	91.9	3.9	207.7	201.5	3.1	30.7	29.7	3.4
Ave. wkly. hours worked by production workers									
Manufacturing	40.4	40.2	0.5	37.8	38.2	-1.0			
Durable goods	41.4	41.1	0.7	40.4	41.4	-2.4			
Nondurable goods	39.1	38.8	0.8	36.3	36.4	-0.3			
Industrial electric power sales index (1977 = 100)	127.6	123.7	3.2	106.5	101.3	5.1	100.1	101.7	-1.6
Employment of Residents									
Employed, no. of persons (thous.)	157.2	153.7	2.3	312.1	303.4	2.9	45.7	44.4	2.9
Unemployed									
No. of persons (thous.)	10.7	12.1	-11.6	28.3	32.0	-11.6	4.1	4.9	-16.3
Rate (percentage of labor force)	6.4	7.3		8.3	9.5		8.2	9.9	
Civilian labor force, no. of persons (thous.)	167.5	165.8	1.0	340.5	335.5	1.5	49.8	49.2	1.2

NOTE: All 1986 data are preliminary and are subject to revision.
All data are average of monthly figures.

	State College			Williamsport			York		
	1986	1985	Percentage Change 85-86	1986	1985	Percentage Change 85-86	1986	1985	Percentage Change 85-86
Local Industries									
No. of wage and salary jobs (thous.)									
All nonfarm industries	50.5	49.4	2.2	47.3	45.5	4.0	164.1	161.3	1.7
Manufacturing	7.7	7.8	-1.3	15.0	14.7	2.0	57.6	58.8	-2.0
Durable goods	5.1	5.1	0.0	8.7	8.5	2.4	35.9	37.1	-3.2
Nondurable goods	2.6	2.6	0.0	6.3	6.1	3.3	21.7	21.7	0.0
Nonmanufacturing	42.8	41.7	2.6	32.3	30.8	4.9	106.3	102.5	3.7
Ave. wkly. hours worked by production workers									
Manufacturing				39.9	39.6	0.8	41.2	40.9	0.7
Durable goods				40.3	40.3	0.0	41.8	41.4	1.0
Nondurable goods				39.5	38.8	1.8	40.3	40.1	0.5
Industrial electric power sales index (1977 = 100)	109.0	100.2	8.8	86.1	79.6	8.2	110.7	104.7	5.7
Employment of Residents									
Employed, no. of persons (thous.)	53.3	50.5	5.5	51.6	49.0	5.3	194.1	188.7	2.9
Unemployed									
No. of persons (thous.)	3.4	4.1	-17.1	3.9	5.1	-23.5	10.8	13.8	-21.7
Rate (percentage of labor force)	6.0	7.5		7.0	9.4		5.3	6.8	
Civilian labor force, no. of persons (thous.)	56.7	54.6	3.8	55.6	54.0	3.0	204.9	202.5	1.2

NOTE: All 1986 data are preliminary and are subject to revision.
All data are average of monthly figures.

Williamsport Area[1]

	Ave. mo. value 4 Q.'86	Average monthly index seas. adj. (1977 = 100) 4 Q.'86	3 Q.'86	4 Q.'85
Employment *(in thousands)*				
Employed, no. of residents	51.8	108	112	105
Unemployed, no. of residents	3.2	81	81	104
Rate, seasonally adjusted	6.8			
Civilian labor force, no. of residents	55.0	106	109	105
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	48.3	104	104	100
Nonmfg. only, no. of jobs	33.4	116	116	112
Mfg. only, no. of jobs	15.0	83	85	82
Hrs. worked by production workers in mfg., *ave. weekly*	39.9	n.a.	n.a.	n.a.
Industrial electric power sales	***	83	86	76
Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	21.0	+21		
Nonresidential contracts only	40.1	+52		

[1] Lycoming County

Altoona Area[1]

	Ave. mo. value 4 Q.'86	Average monthly index seas. adj. (1977 = 100) 4 Q.'86	3 Q.'86	4 Q.'85
Employment *(in thousands)*				
Employed, no. of residents	53.6	102	104	100
Unemployed, no. of residents	4.0	106	124	145
Rate, seasonally adjusted	7.7			
Civilian labor force, no. of residents	57.7	102	105	103
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	50.7	98	98	97
Nonmfg. only, no. of jobs	39.7	103	103	102
Mfg. only, no. of jobs	11.0	84	84	83
Hrs. worked by production workers in mfg., *ave. weekly*	39.6	n.a.	n.a.	n.a.
Industrial electric power sales	***	72	75	80
Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	18.6	−20		
Nonresidential contracts only	17.6	+ 7		

[1] Blair County

There really is no reason to expect overall economic trends to differ much in 1987. Employment will probably continue rising, putting downward pressure on unemployment as nonmanufacturing will lead the way with little, if any, help from manufacturing. However, it is doubtful that growth will be strong enough to improve the region's relative standing, especially with respect to the State's strongest economies in southeastern Pennsylvania.

Johnstown

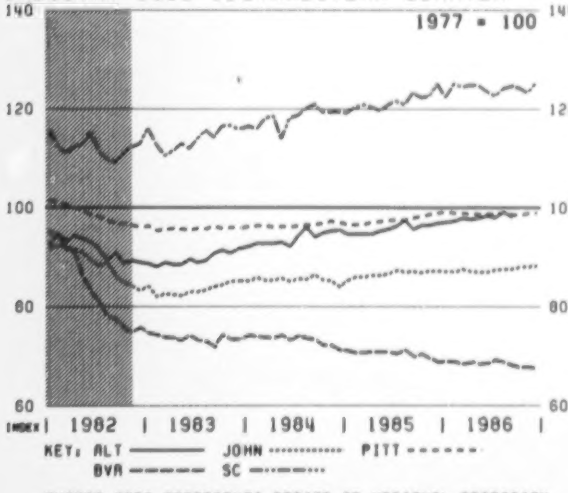
Although some growth took place in the Johnstown economy in 1986, several weak spots remain. Trends in the nonmanufacturing sector were not all that encouraging. Job levels expanded by 1.3 percent in the region, two percentage points below the State's gain. While Pennsylvania as a whole is maintaining a record high number of nonmanufacturing jobs, the 64,400 positions in the two-county area remain below readings for the 1976-1981 period. However, mining appears to be holding this sector back. Job gains in the service-producing area were in line with those in the Commonwealth.

Manufacturing appears to be holding steady, although job levels remain at an all-time low. The 12,400 positions in these industries during 1986 were unchanged from 1985. Surprisingly, durable goods producers realized a 2.9 percent job gain. Primary metals jobs actually rose by a slight 200 over the course of the year. Nondurable goods industries lost 3.7 percent of their jobs last year.

Sales of electricity to industry rose a solid 10.5 percent in 1986. The average factory workweek rose 0.4 hour to 37.7 hours per week. This measure will have to rise considerably before any upward pressure is put on hiring activity.

Employment of the region's residents rose by 2 percent in 1986 to 84,800, the third consecutive annual advance. Coupled with this gain of 1,700 was a decline of 2,100 in the number of residents counted as unemployed. This resulted in a net outflow of 300 from the labor force, hardly a sign

INDUSTRY JOBS SOUTHWESTERN QUARTER



SHADED AREA REPRESENTS PERIOD OF NATIONAL RECESSION

Johnstown Area[1]

	Ave. mo. value 4 Q.'86	Average monthly index seas. adj. (1977 = 100) 4 Q.'86	3 Q.'86	4 Q.'85
Employment *(in thousands)*				
Employed, no. of residents	84.3	87	88	86
Unemployed, no. of residents	7.2	72	93	111
Rate, seasonally adjusted	8.6			
Civilian labor force, no. of residents	91.5	86	89	89
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	77.6	88	88	87
Nonmfg. only, no. of jobs	65.3	98	97	96
Mfg. only, no. of jobs	12.3	58	58	58
Hrs. worked by production workers in mfg., *ave. weekly*	38.7	n.a.	n.a.	n.a.
Industrial electric power sales	***	173	167	156
Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	55.3	+26		
Nonresidential contracts only	64.0	+81		

[1] Cambria and Somerset Counties

of a growing economy. Hence, the decline in the jobless rate, from 12.7 to 10.5 percent, is somewhat misleading.

Despite the overall economic weakness in the region, construction activity was on the rise. Contract values rose 26 percent on the residential side and 81 percent on the nonresidential side. An increase of 300 jobs was recorded in the industry in 1986.

It's hard to be too enthused about the future. Gains in the nonmanufacturing sector should enable the economy to creep forward. However, the economy is experiencing great difficulties adjusting to the shrinkage in its manufacturing base which has occurred over the last several years. It is much too optimistic to expect the region to turn into a viable service-producing center in light of difficulties in most goods-producing industries.

Pittsburgh-Beaver Valley

Moderate gains occurred in the economy of the four-county Pittsburgh region in 1986 while Beaver County continued a string of dismal performances. Manufacturing put a damper on overall economic growth. Job levels were off 6.2 percent in the Pittsburgh region last year and by more than one-fifth in Beaver County as they fell to record lows. Primary metals, the largest manufacturing employer in both areas, contributed greatly to the job loss. Manufacturing's weakness is further illustrated in a 13.4 percent decline in sales of electricity to industry in the entire five-county region. On the positive side, the average factory workweek stands at 41 hours. If further increases occur, some upward pressure on hiring trends may appear.

The news is much better on the nonmanufacturing side where the number of jobs rose to their second-highest level on record in Beaver County and to an all-time high in the Pittsburgh region. These gains were not enough to offset manufacturing's losses in Beaver County, resulting in a 2.1 percent job decline in all nonagricultural industries. In Pittsburgh, manufacturing's losses were more than offset and nonagricultural job growth totalled 1.4 percent.

Employment rose for the third straight year in the Pittsburgh region. The 2.5 percent advance was slightly below the Statewide gain of 2.8 percent and left employment levels considerably below their readings from the late 1970s and early 1980s. This helped lower the unemployment rate from 9.4 to 7.9 percent. However, some of that decline is attributable to very weak growh in the labor force. In Beaver County, a 2.6 percentage point drop in the unemployment rate to 12.3 percent does not adequately represent underlying trends. As the rate was falling, employment dipped for the seventh straight year. Hence, the decline was solely the result of a 3.5 percent drop in the labor force.

Construction activity rose in the region, although there were some soft spots. On the residential side, contract values were up one-third in the Pittsburgh region but fell by 9 percent in Beaver County. Just the opposite occurred in the nonresidential category where contract values fell 5 percent in Pittsburgh and rose 31 percent in Beaver County.

It is doubtful that any significant turnaround is at hand in the area. Manufacturing's difficulties are simply sapping too much strength from the overall picture. Moderate gains, at best, will be recorded in 1987.

Pittsburgh[1]-Beaver Valley[2] Area

	Ave. mo. value *4 Q '86*	Average monthly index seas. adj. (1977 = 100) *4 Q '86*	*3 Q '86*	*4 Q '85*
Employment *(in thousands)*				
Employed, no. of residents				
Pittsburgh[1]	892.8	101	103	100
Beaver County	57.9	67	68	66
Unemployed, no. of residents				
Pittsburgh[1]	64.1	107	120	133
Beaver County	6.5	100	102	157
Unemployment Rate, seas. adj.				
Pittsburgh[1]	7.2			
Beaver County	10.5			
Civilian labor force, no. of residents				
Pittsburgh[1]	956.9	102	104	102
Beaver County	64.4	69	70	73
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs				
Pittsburgh[1]	872.9	99	99	99
Beaver County	53.1	68	69	70
Nonmfg. only, no. of jobs				
Pittsburgh[1]	742.8	113	112	111
Beaver County	42.0	109	108	106
Mfg. only, no. of jobs				
Pittsburgh[1]	126.4	58	58	63
Beaver County	9.7	26	30	33
Hrs. worked by production workers in mfg., *ave. weekly*				
Pittsburgh[1]	41.5	n.a.	n.a.	n.a.
Beaver County	40.1	n.a.	n.a.	n.a.
Industrial electric power sales	***	54	55	65
Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only				
Pittsburgh[1]	508.8	+33		
Beaver County	21.2	−9		
Nonresidential contracts only				
Pittsburgh[1]	608.0	−5		
Beaver County	14.4	+31		

[1] Allegheny, Fayette, Washington and Westmoreland Counties

[2] Beaver County

State College

The State College regional economy solidified its standing as the strongest in western Pennsylvania in 1986. Nearly all indicators suggest that economic growth in Centre County was stronger than in the State as a whole. Perhaps the best news is found on the employment front, where 5.5 percent more residents were working than in 1985, almost double the Commonwealth's gain. This left employment at a record high 53,300 and helped lower the unemployment rate from 7.5 percent in 1985 to 6.0 percent in 1986.

Another bright spot is found in the behavior of the labor force which expanded by a relatively strong 3.8 percent in 1986. Such an increase is usually representative of a growing economy.

Surprisingly, job gains in the region's nonmanufacturing establishments were not as strong as in all of Pennsylvania (2.6 vs. 3.3 percent). Still, the number of positions in these establishments rose to a record high of 42,800. Jobs in trade, the largest private-sector employer, rose by a slight 100 to 9,200. A solid gain of 500 jobs was recorded in the services category, pushing payrolls up to 8,700 workers.

The construction industry was another strong point in the region's economy in 1986. The value of residential contracts awarded, at $89.3 million, was up 41 percent from 1985.

State College Area[1]

	Ave. mo. value 4 Q '86	Average monthly index seas. adj. (1977 = 100) 4 Q '86	3 Q '86	4 Q '85
Employment *(in thousands)*				
Employed, no. of residents	54.0	125	127	121
Unemployed, no. of residents	2.9	113	129	164
Rate, seasonally adjusted	5.4			
Civilian labor force, no. of residents	56.9	124	127	124
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	52.0	124	124	123
Nonmfg. only, no. of jobs	44.7	126	124	124
Mfg. only, no. of jobs	7.4	115	121	118
Industrial electric power sales	***	115	109	98
Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	89.3	+41		
Nonresidential contracts only	46.5	+74		

[1] Centre County

Even stronger growth occurred on the nonresidential side, where a 74 percent gain left contract values at $46.5 million for the year. The 1,800 jobs in the industry were up 100 from a year ago.

Although it didn't add much to overall growth, the region's manufacturing sector didn't drag the economy down as it did in much of the rest of the State. Job levels settled at 7,700 compared to 7,800 a year ago. Industrial power sales, a fairly reliable indicator of production and output, rose 8.8 percent from 1985.

Overall economic growth should continue at a healthy pace in 1987. Early indications suggest that construction will remain strong. The bulk of all new jobs will again come in the service-producing industries while manufacturers should once again hold relatively steady.

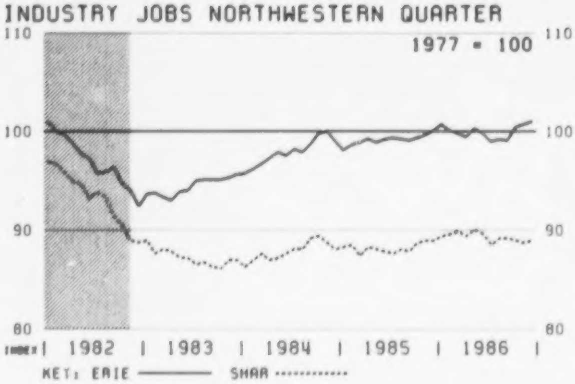
Northwestern Quarter

Erie

The Erie regional economy grew only modestly in 1986, with no prospects for any considerable improvement in the near-term. What gains there were occurred in the nonmanufacturing sector where job levels expanded by 3.8 percent to 76,100, a new record. This growth is even more encouraging in light of the 3.3 percent gain in the State as a whole. As elsewhere in the Commonwealth, a good deal of strength can be found in the service-producing area, where job growth in the two largest industries, trade and services, came in at 3.4 and 5.3 percent, respectively.

Elsewhere in the nonmanufacturing sector, construction also turned in a strong performance. There were 500 more workers in this industry in 1986 compared to the year before. Additionally, contract values rose 25 percent for residential construction and by one-third for nonresidential projects.

Unfortunately, much of the good news stops there. Manufacturers lost workers for the sixth time in seven years. In fact, the 34,100 jobs in these industries represent an all-time low. Job losses were concentrated in the durable goods area where the decline totaled 7.3 percent last year. The number of positions in nondurable goods establishments actually rose by 100 in 1986. A 6.5 percent rise in sales of electricity to industry, a good measure of production trends, suggests that output is probably holding fairly steady.



SHADED AREA REPRESENTS PERIOD OF NATIONAL RECESSION

The weak job performance in manufacturing helped to hold back overall employment growth. Officially, 117,400 residents were counted as employed last year, a gain of 1.9 percent from 1985. Statewide, the employment gain was 2.8 percent. A 1.7 percent increase in the labor force was in line with gains throughout the Commonwealth. The region didn't fare too well on the unemployment front. The jobless rate fell by just 0.1 percentage point to 8.5 percent as the number of unemployed residents held steady at 10,900. These developments are especially disappointing relative to trends elsewhere in the State.

Once again, the region's durable goods manufacturers will prevent the economy from growing at a more satisfactory pace in 1987. On the nondurables side, a relatively high average workweek will probably translate into additional jobs if production increases. Strength in the nonmanufacturing sector,

Erie Area[1]

	Ave. mo. value 4 Q '86	Average monthly index seas. adj. (1977 = 100) 4 Q '86	3 Q '86	4 Q '85
Employment *(in thousands)*				
Employed, no. of residents	118.1	104	105	103
Unemployed, no. of residents	9.1	106	129	114
Rate, seasonally adjusted	7.8			
Civilian labor force, no. of residents	127.2	104	107	104
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	112.1	101	99	100
Nonmfg. only, no. of jobs	78.4	115	113	110
Mfg. only, no. of jobs	33.7	79	78	83
Hrs. worked by production workers in mfg., *ave. weekly*	42.2	n.a.	n.a.	n.a.
Industrial electric power sales	***	99	99	94
Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	57.2	+25		
Nonresidential contracts only	52.0	+33		

[1] Erie County

Sharon Area[1]

	Ave. mo. value 4 Q '86	Average monthly index seas. adj. (1977 = 100) 4 Q '86	3 Q '86	4 Q '85
Employment *(in thousands)*				
Employed, no. of residents	45.2	93	95	91
Unemployed, no. of residents	3.6	100	104	113
Rate, seasonally adjusted	8.2			
Civilian labor force, no. of residents	48.8	94	96	93
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	40.7	89	89	89
Nonmfg. only, no. of jobs	31.5	107	106	104
Mfg. only, no. of jobs	9.2	57	59	62
Industrial electric power sales	***	105	98	102
Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	17.9	− 7		
Nonresidential contracts only	22.6	+ 29		

[1] Mercer County

especially in the service-producing industries, will again enable the economy to expand moderately. However, it appears that some improvement in durable goods is necessary for better results.

Sharon

The Sharon regional economy improved slightly in 1986 despite continued weakness in manufacturing. Unfortunately, growth was not strong enough to improve the region's standing relative to the State as a whole. Nonagricultural job growth, at just 1 percent for the year, was below the Statewide gain of 1.8 percent as nonmanufacturing's gains barely offset manufacturing's losses. At 30,700, there were more jobs in the region's nonmanufacturing establishments than at any time since 1981. A 3.4 percent job gain from 1985 is very similar to Pennsylvania's 3.3 percent rise.

However, manufacturing's difficulties kept a lid on overall gains. The number of jobs in these establishments fell for the sixth time in seven years, settling at 9,700, the lowest level since data collection began in 1974. Durable goods producers accounted for all of the decline. The region's largest manufacturer, primary metals, lost 300 more jobs last year.

Construction was a bright spot in the overall economic picture. Job levels rose by 400 to 1,400. The value of contracts awarded for nonresidential construction rose 29 percent. However, contract values were down 7 percent on the residential side. Altoona and Beaver County were the only other regions to realize a decline.

Despite a 1.7 percentage point drop in the unemployment rate to 8.2 percent, it remained well above the State's 6.9 percent reading. Still, a 2.9 percent employment increase was strong enough to absorb a small gain in the labor force and reduce the number of unemployed by 16.3 percent. While much of the rest of the State is maintaining record high levels of employment, the 45,700 residents counted as employed in the Sharon region remain well below levels of the 1970s and the early 1980s.

It is hard to figure out where any additional economic strength will be generated in 1987. Any improvements in manufacturing's performance will be minimal. Nonmanufacturing job growth slowed as 1986 drew to a close. Hence, it appears as if we can expect a continuation of recent trends which implies further modest gains in the region's economy.

Southeastern Quarter

Harrisburg-Lebanon-Carlisle

Economic conditions remained strong in the Harrisburg-Lebanon-Carlisle region in 1986 as a string of impressive performances continued despite problems in manufacturing. Job levels in these industries fell for the sixth time in seven years, settling at 50,500, the lowest level since data collection began in 1974. Durable goods producers lost 1,800 positions, most of which came in the electronic equipment and metals industries. On the nondurables side, there were 200 more jobs than the year before. In the largest industry, food and kindred products, 300 positions were added.

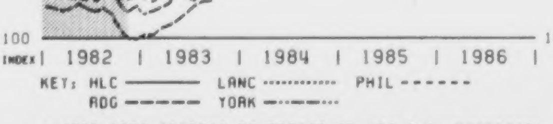
Weakness in manufacturing is represented in a 7 percent decline in electricity sales to industry. Furthermore, the fairly low average factory workweek probably will show additional increases before any upward pressure is put on hiring trends.

Gains in nonmanufacturing more than offset these difficulties. The number of jobs in these establishments rose 3.6 percent last year to a record high of 232,200. Job levels have declined in only one year since 1975. The private-sector service-producing industries carried the load. Trade jobs rose by 4.7 percent, services by 5.9 percent, and finance by 6 percent.

Although job levels held steady at 10,200, construction made a strong contribution to the region's economic growth last year. Contracts for residential projects were valued at $228.8 million, up 28 percent from 1985. A 24 percent increase was recorded on the nonresidential side, leaving contract values at $146.2 million.

Solid improvements were also recorded on the employment/unemployment front. Resident employment rose a strong 3.7 percent to a record high level of 288,700. This gain of 10,200 was strong enough to absorb an increase of 7,800 in the labor force and reduce the number of unemployed by 2,300. The end result was a 0.9 percentage point decline in the unemployment rate to 4.7 percent, the second lowest

INDUSTRY JOBS SOUTHEASTERN QUARTER



SHADED AREA REPRESENTS PERIOD OF NATIONAL RECESSION

Harrisburg-Lebanon-Carlisle Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	4 Q.'86	*4 Q.'86*	*3 Q.'86*	*4 Q.'85*
Employment *(in thousands)*				
Employed, no. of residents	288.8	114	115	111
Unemployed, no. of residents	10.1	70	91	104
Rate, seasonally adjusted	3.8			
Civilian labor force, no. of residents	296.9	111	114	110
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	286.4	116	115	114
Nonmfg. only, no. of jobs	235.7	122	122	119
Mfg. only, no. of jobs	50.7	93	92	95
Hrs. worked by production workers in mfg., *ave. weekly*	40.1	n.a.	n.a.	n.a.
Industrial electric power sales	***	72	70	70
Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	228.8	+28		
Nonresidential contracts only	146.2	+24		

[1] Cumberland, Dauphin, Lebanon, and Perry Counties

among the State's 15 metropolitan areas.

The region's economy shows a great deal of diversification. Manufacturing accounts for only 17.9 percent of all jobs compared to 21.7 percent in the Commonwealth. Furthermore, the nondurable goods industries, which are holding up much better than their durable goods counterparts, play a relatively larger role in the region's economy. Given this, overall economic growth should remain well above Statewide trends in 1987.

Lancaster

Once again, economic activity in the Lancaster region set a standard for others to follow in 1986. The area ranks at or near the top in nearly all measures of economic growth. Unfortunately, the absolute size of the economy is relatively small, so these developments were unable to significantly sway overall trends in Pennsylvania.

At 3.5 percent, the region maintained the lowest jobless rate in the State last year. Employment and the labor force both showed solid gains and rose to record highs in 1986. Resident employment rose 4.9 percent to 198,500 compared to a Statewide gain of 2.8 percent. The labor force rose 3.8 percent to 205,600. Strong gains in the labor force are usually representative of a growing economy.

Lancaster Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	4 Q.'86	*4 Q.'86*	*3 Q.'86*	*4 Q.'85*
Employment *(in thousands)*				
Employed, no. of residents	200.5	126	127	121
Unemployed, no. of residents	5.2	68	94	100
Rate, seasonally adjusted	2.9			
Civilian labor force, no. of residents	205.7	123	126	120
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	176.7	124	123	119
Nonmfg. only, no. of jobs	116.6	136	134	130
Mfg. only, no. of jobs	60.2	106	105	102
Hrs. worked by production workers in mfg., *ave. weekly*	41.0	102	102	101
Industrial electric power sales	***	134	131	126
Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	235.7	+37		
Nonresidential contracts only	54.4	− 9		

[1] Lancaster County

Although manufacturing jobs rose slightly, the bulk of all new jobs last year were created in the nonmanufacturing sector. All told, the number of positions in these establishments rose 5.2 percent to 113,400, another record high. Construction played a role as 1,000 new jobs were created, pushing employment to 9,400. The value of residential construction contracts rose by 37 percent to $235.7 million. However, perhaps the only negative in the overall economic picture shows up in a 9 percent decline in nonresidential awards to $54.4 million.

Elsewhere in nonmanufacturing, service-producing job growth came in at 4.6 percent, an encouraging sign given the 3.2 percent gain throughout Pennsylvania. The region's largest employer, trade, added 2,100 workers for a 5.3 percent advance. A similar gain was recorded in the services category.

Perhaps the most encouraging news is found in manufacturing. Although the job gains which occurred in nonmanufacturing were not matched, the news coming from Lancaster is certainly welcome. Job levels rose 1.9 percent to 59,200. These gains were concentrated in the nondurables industries, although durable goods producers added 200 workers over the course of the year.

All signs point to continued strong gains in the Lancaster economy in 1987. With manufacturing at least holding its own, growth in the service-producing industries should push the economy to new highs this year. The Lancaster region provides a good example of just how strong an economy can be if manufacturing doesn't subtract from overall economic growth.

Philadelphia

There were some encouraging developments in the eight-county Philadelphia regional economy in 1986. The rate of expansion was quite healthy, but the economy is not really "booming." For instance, nonmanufacturing job levels rose a nice 3.1 percent for the year. This left the number of workers in these establishments at 1.7 million, a record high. Surprisingly, this increase is slightly less than the Statewide gain of 3.3 percent.

Similar to trends throughout the Commonwealth, a good deal of this growth appears to have occurred in the service-producing industries where job growth came in at 2.9 percent. The region's largest industry, services, realized a 4.2 percent gain. Trade, another major employer, had 3.8 percent more workers in 1986 than the year before.

Construction activity was also on the rise last year in the region. Contract values rose 16 percent on the residential side and 2 percent for nonresidential projects. Job levels in the industry rose a solid 7.4 percent to 89,000.

Manufacturing activity was pretty sluggish in the region last year. These establishments maintained 1.5 percent fewer jobs than in 1985. In fact, the 391,400 workers is the second-lowest level on record. On the durables side, the largest industry, electronic equipment, actually employed 300 more

Philadelphia Area[1]

	Ave. mo. value 4 Q.'86	Average monthly index seas. adj. (1977 = 100) 4 Q.'86	 3 Q.'86	 4 Q.'85
Employment *(in thousands)*				
Employed, no. of residents	2237.1	117	118	115
Unemployed, no. of residents	99.7	62	68	76
Rate, seasonally adjusted	4.7			
Civilian labor force, no. of residents	2336.9	112	114	111
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	2132.2	115	115	113
Nonmfg. only, no. of jobs	1741.2	125	124	121
Mfg. only, no. of jobs	387.2	87	87	89
Hrs. worked by production workers in mfg., *ave. weekly*	40.7	101	101	102
Industrial electric power sales	***	100	100	102
Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	1660.2	+ 16		
Nonresidential contracts only	1276.2	+ 2		

[1] Bucks, Chester, Delaware, Montgomery, and Philadelphia Counties, Pa., and Burlington, Camden, and Gloucester Counties, N.J.

Reading Area[1]

	Ave. mo. value 4 Q.'86	Average monthly index seas. adj. (1977 = 100) 4 Q.'86	 3 Q.'86	 4 Q.'85
Employment *(in thousands)*				
Employed, no. of residents	158.8	114	116	112
Unemployed, no. of residents	6.9	90	116	133
Rate, seasonally adjusted	5.2			
Civilian labor force, no. of residents	165.7	113	116	113
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	147.1	110	110	108
Nonmfg. only, no. of jobs	98.1	119	119	116
Mfg. only, no. of jobs	49.0	95	94	96
Hrs. worked by production workers in mfg., *ave. weekly*	41.3	105	104	102
Industrial electric power sales	***	130	129	124
Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	127.1	+ 35		
Nonresidential contracts only	60.2	+ 98		

[1] Berks County

workers last year. However, another major employer, machinery, lost 3,000 jobs. In nondurables, printing and publishing and chemicals, the two largest industries, both employed more workers in 1986 relative to the previous year. A slight decline in the average factory workweek and a weak rise in sales of electricity to industry provide further evidence of manufacturing's difficulties. However, in that industrial power sales have held fairly steady in recent years, it may be concluded that production is doing the same.

Developments on the employment/unemployment front last year were quite positive. A 3 percent gain in employment to a record high 2.22 million helped lower the number of residents officially counted as unemployed by 10.1 percent. The jobless rate fell 0.7 percentage point to its lowest level since 1970, 5.2 percent. This compares quite favorably with the State's 6.9 percent jobless rate.

The Philadelphia regional economy should continue growing nicely through 1987. Further gains in employment, especially in nonmanufacturing, should depress unemployment even further. Even though the outlook for manufacturing remains cloudy, strength in the construction and service-producing industries should more than offset these difficulties.

Reading

The Reading regional economy followed Statewide trends as nonmanufacturing drove the economy forward at a modest pace despite a considerable amount of weakness in manufacturing in 1986. Job levels in the region's nonmanufacturing establishments rose 3.9 percent to an all-time high of 95,500. This increase is slightly higher than the 3.3 percent gain in all of Pennsylvania. Construction played a significant role in nonmanufacturing's health. In the residential area, contract values rose 35 percent to $127.1 million. Nonresidential values nearly doubled to $60.2 million. Service-producing industries also showed solid growth in 1986 as job levels grew at a 3.7 percent pace. The trade industry added 900 workers over the course of the year, payrolls in the finance-related field grew by 600 workers, and 1,300 additional jobs were created in services establishments.

Strength in these industries was somewhat counteracted by problems in the manufacturing sector. The number of positions in these industries fell by 4 percent in the Reading area, slightly higher than the State's 3.8 percent drop. Losses were concentrated in the durable goods industries where a 6.8 percent job decline occurred. In the region's two largest durable goods industries, electronic equipment and primary metals, the combined job loss came to 1,500 positions. Nondurable goods producers added 200 jobs in 1986.

A general upward trend in electricity sales to industry suggests that production is at least holding steady. Also, should the increases which occurred in the average factory workweek in 1986 continue, hiring activity may increase.

Some improvements were recorded on the employment/unemployment front. Resident employment rose 2.3 percent to a record high of 157,200. This increase equals the national gain but falls somewhat short of the State's 2.8 percent rise. At the same time, the jobless rate dropped 0.9 percentage point to 6.4 percent, slightly below the Commonwealth's 6.9 percent reading.

Until some improvements are realized in the manufacturing sector, it is doubtful that the economy will improve upon this moderate growth scenario. In that these improvements will probably not come overnight, the nonmanufacturing sector will again drive the economy forward in 1987, but at a pace that is less than exciting.

York

Healthy growth characterized the York regional economy in 1986. In fact, most measures suggest that economic activity in this region was stronger than in the State as a whole. At 5.3 percent, the unemployment rate last year was 1.6 percentage points below the Statewide reading. As a result of a 2.9 percent increase, resident employment rose to a record high of 194,100, a gain in line with trends throughout the Commonwealth. Employment's favorable showing was good enough to absorb a relatively small increase in the labor force and reduce the number of unemployed by 21.7 percent.

Nonmanufacturing accounted for all new nonagricultural jobs last year. The number of positions in these establishments rose 3.7 percent to stand at a record high 106,300. Pennsylvania as a whole managed a 3.3 percent gain. Construction played a role as job levels rose by 400 to 8,500. Furthermore, contract values were up by 18 percent for residential projects and by one-half on the nonresidential side.

Service-producing industries also contributed greatly to nonmanufacturing's job gains. Trade jobs were up by 1,000 in 1986, services by 1,800, and finance-related by 300.

Unfortunately, this strength was somewhat offset by continued problems in the manufacturing sector where job levels sank 2 percent to 57,600. Although this is not a record low, it is the second lowest level in the past 11 years. Statewide, manufacturers lost 3.8 percent of their jobs. Losses were concentrated in the durable goods category. Machinery, the region's largest manufacturing industry, lost 400 jobs in 1986.

However, there is some good news. The average factory workweek rose to over 41 hours last year. If further gains are registered, some upward pressure may be put on hiring activity. Additionally, industrial power sales, a good proxy for production and output, appear to be on a slight upward trend. This suggests that output may be at least holding its own and that the recent difficulties on the job front are exaggerating the sector's problems.

Fairly healthy economic growth, driven by the service-producing industries, should continue in the region through 1987. As elsewhere in the State, manufacturing's performance may improve slightly, but a rebound in this important sector is unlikely. In that this is really the only sour spot, should these industries just stabilize, the region's economy will benefit greatly.

— *William D. Anderson*

York Area[1]

	Ave. mo value	Average monthly index seas. adj. (1977 = 100)		
	4 Q.'86	*4 Q.'86*	*3 Q.'86*	*4 Q.'85*
Employment *(in thousands)*				
Employed, no. of residents	195.0	124	126	122
Unemployed, no. of residents	7.7	92	109	133
Rate, seasonally adjusted	4.7			
Civilian labor force, no. of residents	202.8	122	125	122
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	166.7	116	116	114
Nonmfg. only, no. of jobs	108.7	131	129	127
Mfg. only, no. of jobs	57.7	96	96	98
Hrs. worked by production workers in mfg., *ave. weekly*	41.7	100	100	100
Industrial electric power sales	•••	114	110	111
Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	141.1	+18		
Nonresidential contracts only	68.5	+50		

[1] Adams and York Counties

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JANUARY BRINGS WITH IT CONTINUATION OF RECENT TRENDS

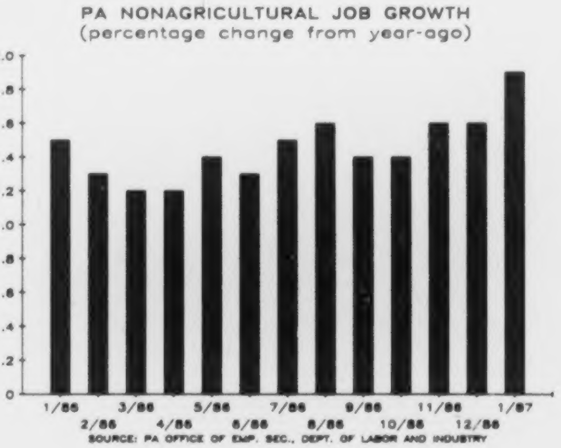
Given that growth in the national economy is expected to fall far short of robust, it is hard to figure out where any upward pressure on economic growth in Pennsylvania will be generated. On the plus side, although there are a few pessimists, the general consensus is that the national economy should proceed through 1987 without lapsing into a recession. In that Pennsylvania follows national trends, it appears safe to conclude that the Commonwealth should also fall into this moderate-growth path.

The nonmanufacturing sector has several industries showing considerable job gains, giving the overall economy a good boost. Especially strong gains are being realized in the construction industry (see chart). Job gains have remained in the 7-11 percent range throughout the past year and appear to be on the rise compared to gains of under 2 percent for all nonagricultural jobs and about 3 percent for nonmanufacturing as a whole. Given the seasonal nature of the industry, a decline of about 23,500 jobs was expected this past January based on historical trends. In that the number of jobs actually fell by 24,500, the end result was a decline of about 1,000 jobs after adjustment for these seasonal trends. Still, January's 209,100 jobs, seasonally adjusted, represents the third highest level over a period stretching back to early 1974.

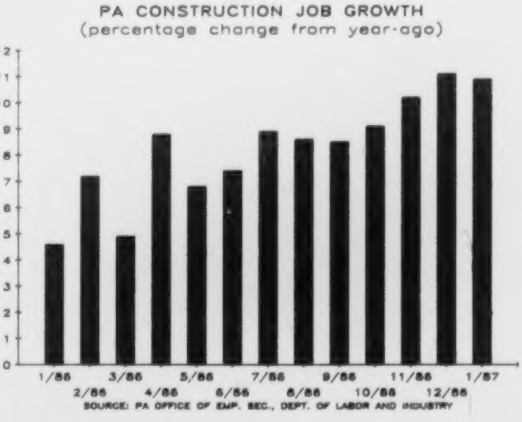
Because mortgage rates should hold fairly steady, activity in the single-family residential sector should remain quite high. However, partly because of less favorable tax treatment, the outlook for multi-family housing and for nonresidential construction is not as encouraging.

This overall scenario of solid construction activity is backed-up by the recent behavior of the value of construction contracts awarded which have been on a general upward trend recently. Additionally, the "Housing Permits Report" contained in the February issue of the *Survey* highlighted the Commonwealth's strong showing in terms of housing units authorized by permits, a good estimate of trends in housing starts.

Job gains in the finance, insurance, and real estate category have also been encouraging as shown in the accompanying chart. Compared to their year-ago levels, the number of positions in these industries have grown by more than 5 percent in each of the last 12 months. The number of wage and salary jobs in these industries have increased more or less continuously since the end of the back-to-back recessions of the early 1980s to stand at a seasonally adjusted record high of 284,500 in January. **Modest income gains and increased sophistication on the part of consumers of financial instruments have been partly responsible for a surge in activity in these industries. The construction-related component of these businesses also benefited from the rise in building activity.**



SOURCE: PA OFFICE OF EMP. SEC., DEPT. OF LABOR AND INDUSTRY



SOURCE: PA OFFICE OF EMP. SEC., DEPT. OF LABOR AND INDUSTRY

Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1986-87		1986	1986-87		1986	1986-87		1986
	Dec.	*Jan.*	*Jan.*	*Dec.*	*Jan.*	*Jan.*	*Dec.*	*Jan.*	*Jan.*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	4,887	4,763	4,673	4,836	4,845	4,762	105.9	106.1	104.3
Nonmanufacturing									
No. of wage and salary jobs (thous.)	3,841	3,727	3,612	3,801	3,809	3,693	117.9	118.2	114.6
Mining	32	31	34	33	33	35	68.9	68.5	73.1
Contract construction	207	182	164	210	209	191	114.3	113.7	103.8
Transportation	142	136	136	139	139	139	86.4	86.5	86.3
Public Utilities	102	103	101	102	103	101	101.3	101.8	100.5
Wholesale trade	265	263	255	264	265	257	119.1	119.5	116.0
Retail trade	881	834	809	848	849	823	118.2	118.3	114.7
Finance, insurance & real estate	282	281	267	283	285	270	130.2	130.8	124.1
Service & miscellaneous	1,241	1,222	1,172	1,242	1,245	1,194	144.0	144.3	138.5
Federal government	138	138	139	139	139	140	108.2	108.3	109.3
State & local government	549	536	535	541	543	542	92.8	93.1	93.0
Manufacturing									
No. of wage and salary jobs (thous.)	1,036	1,026	1,059	1,036	1,036	1,069	77.2	77.2	79.7
Durable goods	585	579	608	585	585	614	72.2	72.2	75.8
Nondurable goods	451	447	451	451	451	455	84.7	84.8	85.5
Ave. wkly. hrs. worked by prod. workers	41.2	40.4	40.0	40.9	40.8	40.4	103.4	103.2	102.2
Total wkly. person-hours worked (mils.)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total wkly. payroll (mil. dols.)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Steel production (thous. tons)	506	598	955	n.a.	n.a.	n.a.	28.6	28.4	45.3
Industrial electric power sales (mil. kwh)	3,404	3,364	3,465	3,491	3,419	3,515	94.5	92.6	95.2
Mining									
Anthracite coal (thous. net tons)	340	327	261	323	380	297	66.2	77.7	60.8
Bituminous coal (thous. net tons)	4,222	n.a.	5,590†	4,301	n.a.	5,806†	61.0	n.a.	82.3†
Construction contracts awarded (mil. dols.)									
Total	553.2	480.7	443.4*	645.4	765.4	660.2*	200.6	237.9	205.2*
Residential building	247.7	180.2	151.8*	323.3	385.5	314.3*	229.7	273.9	223.3*
Nonresidential building	152.9	200.5	157.4*	179.2	251.2	178.7	165.2	231.6	164.7*
Nonbuilding (utilities and public works)	152.6	100.0	134.2*	142.9	128.7	167.2*	197.1	177.5	230.7*
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,220	5,131	5,049	5,236	5,264	5,183	109.0	109.5	107.9
Unemployed									
No. of persons (thous.)	258	359	445	293	336	423	73.1	83.9	105.4
Rate (percentage of labor force)	4.7	6.5	8.1						
Rate, seasonally adjusted				5.4	6.1	7.6			
Civilian labor force, no. of persons (thous.)	5,478	5,490	5,494	5,529	5,600	5,606	106.2	107.6	107.7
Initial claims for unemployment benefits	155,335	162,578	189,342	104,657	103,997	122,033	73.1	72.6	85.2

Consumer Prices, all items	Urban Indexes (1967 = 100)			Percentage Change	
	1986-87		1986	*Month Ago*	*Year Ago*
	Dec.	*Jan.*	*Jan.*		
U.S. city average	325.7	327.7	324.3	+0.6	+1.0
Philadelphia	326.6	329.1	323.0	+0.8	+1.9
Pittsburgh	311.8	n.a.	312.8†	n.a.	−0.3

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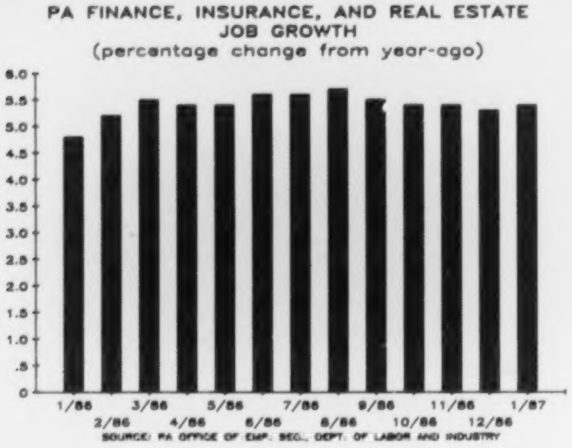
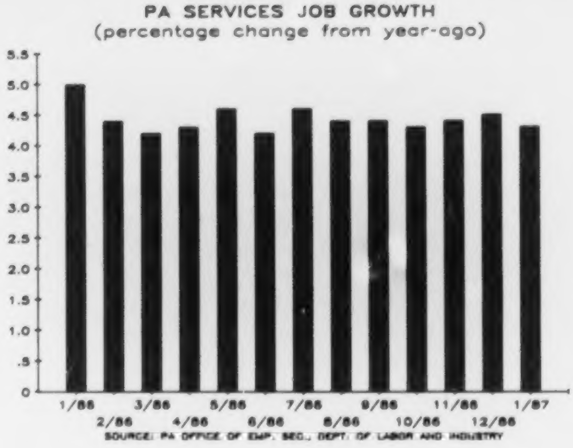
[1] Total includes workers on strike. * = figure revised † = figure for November 1985 n.a. = data not available

SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.



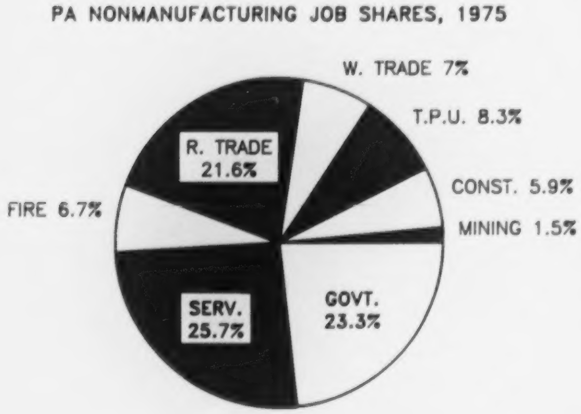
PA FINANCE, INSURANCE, AND REAL ESTATE JOB GROWTH (percentage change from year-ago)

SOURCE: PA OFFICE OF EMP. SEC., DEPT. OF LABOR AND INDUSTRY

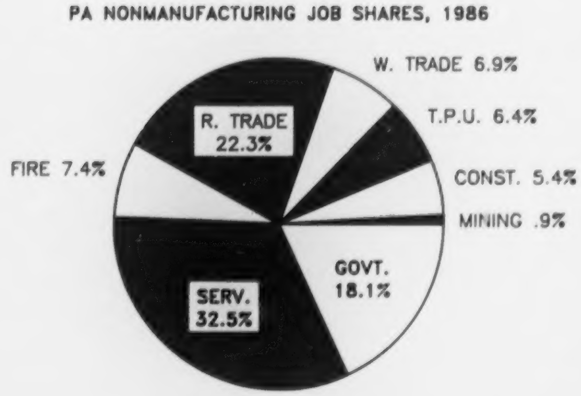


PA SERVICES JOB GROWTH (percentage change from year-ago)

SOURCE: PA OFFICE OF EMP. SEC., DEPT. OF LABOR AND INDUSTRY



PA NONMANUFACTURING JOB SHARES, 1975



PA NONMANUFACTURING JOB SHARES, 1986

The most widely-publicized "growth" industry as of late has been services. The number of positions in this category have grown continuously over the two-and-a-half decades for which comparable data are available despite four economic recessions and stood at 1.25 million in January after seasonal adjustment, another record high. Throughout the past several months, year-over-year job gains have remained in the 4-5 percent range.

The number of jobs in the retail and wholesale trade industries have also advanced to record highs recently, although growth appears to be trailing that in nonmanufacturing as a whole. (Please see this month's "Retail Sales Report" for a further analysis of trends in Pennsylvania's retail sector.)

As a result of these developments, **nonmanufacturing job levels have been rising almost non-stop since early 1983, setting new records almost every month.** In January, the number of positions in these establishments rose for the sixth straight month, settling at 3.81 million after adjustment for normal seasonal variations. This represents a gain of 8,400 jobs from December.

A comparison of nonmanufacturing job shares in 1986 and 1975 highlights some interesting changes in economic structure. Three trends appear to stand out. After accounting for 6.7 percent of all nonmanufacturing jobs in 1975, the finance, insurance, and real estate category increased its share to 7.4 percent in 1986. The share accounted for by the government fell considerably, from 23.3 to 18.1 percent. Over that time period, federal government job levels in the Commonwealth rose from 134,400 to 139,000. On the other hand, State and local governments reduced their payrolls from 587,000 to 540,600. The third noteworthy trend concerns services which increased its share from 25.7 percent to 32.5 percent.

As has been the case as of late, nonmanufacturing's strength only represents half the story. Any discussion of Pennsylvania's economic performance would not be complete without an analysis of trends in manufacturing. Although growth in the service-producing area appears to be outpacing manufacturing, **relatively speaking, Pennsylvania's economy has been and will continue to be manufacturing-based.** In 1975, manufacturing accounted for 30 percent of all nonagricultural jobs in Pennsylvania compared to 22 percent in 1986. At the national level, the corresponding shares were 24 percent in 1975 and 19 percent in 1986.

Manufacturing job levels fell for 27 consecutive months after seasonal adjustment in Pennsylvania, bottoming out at 1,035,300 in November. Since then, job levels have advanced slightly in each of the past two months, settling at 1,036,000 in January. Not surprisingly, these very minimal gains may be traced to the nondurable goods industries. Durable goods industries continue to lose jobs.

However, the end of the USX strike may exert some upward pressure on job levels over the next few months.

Although several factors help account for manufacturing's difficulties, the foreign trade deficit, a problem beyond the control of State economic officials, is most often cited. Many policymakers at the national level feel that recent declines in the value of the dollar should soon begin showing up in improvements in the trade picture. However, **recent events have created some problems with respect to monetary policy.** Should the Federal Reserve wish to let the dollar fall further, there is the threat of increased inflationary pressures. Should they attempt to prop up the dollar, perhaps through a tighter set of credit policies, they may risk choking off the current economic expansion which is now into its fifth year.

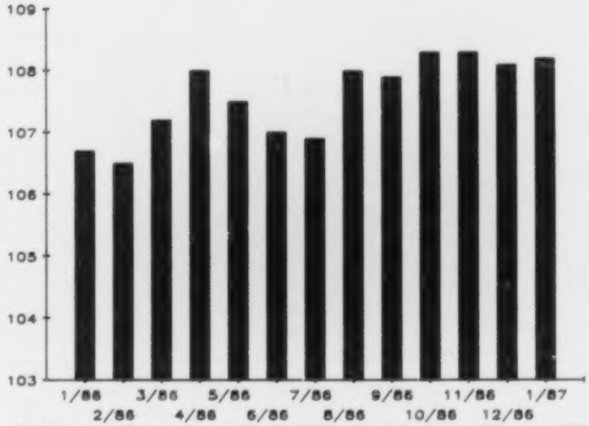
Partly because of the behavior of the dollar and the threat of slightly higher oil prices, it is quite likely that inflation will rise in 1987. **The general consensus is that prices will rise at about a 4 percent rate this year.**

The end result of January's economic activity was a rise in the unemployment rate from 5.4 percent in December to 6.1 percent after seasonal adjustment. Still, the January reading is a full 1.5 percentage points below a year ago. At the same time, employment rose for the second straight month following three consecutive declines. Essentially, January's rise in unemployment is attributable to a large jump in the labor force, the first increase since August 1986.

The Pennsylvania index of leading indicators which provides clues as to the future course of the economy, rose only slightly in January. In that the index has been holding in a very narrow band for the last half-year, **there appear to be no indications of any deviations from the State's moderate growth trends experienced over the past several months.**

— William D. Anderson

PENNSYLVANIA COMPOSITE INDEX
OF LEADING INDICATORS
(Jan 1972=100)



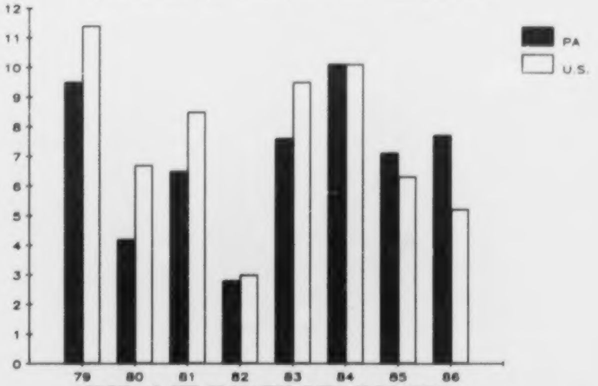
SOURCE: THE PENNSYLVANIA STATE UNIVERSITY, COLLEGE OF BUSINESS ADMINISTRATION

Retail Sales Report

Strong gains in the durable goods category pushed up total retail sales in Pennsylvania in 1986 by 7.7 percent to $68.8 billion. Nationally, retail sales grew by 5.2 percent. After trailing the nation every year over the 1979-1983 period, Pennsylvania retail sales growth has exceeded the nation's gains in each of the last two years. (In 1984, both Pennsylvania and the nation realized 10.1 percent increases.)

The volatile durable goods category showed a very strong gain of 15.3 percent last year. Some of this surge was likely the result of attractive incentive packages on the purchases of automobiles and trucks. These packages probably lured a great many buyers into showrooms throughout the nation and here in Pennsylvania. Another contributing factor was solid growth in construction activity, especially for single-family residences. This probably spilled over into increased purchases of such things as appliances and furniture. Finally,

PA AND U.S. RETAIL SALES GROWTH
(percentage change from year-ago)



SOURCE: U.S. DEPT. OF COMMERCE, BUREAU OF THE CENSUS

some of the gains were probably influenced by pending tax law changes.

Nondurable goods retail sales grew at a much slower 3.5 percent rate last year. This category tends to be much less volatile than durable goods. One possible explanation for this is that many "necessities" such as food and clothing are included in the nondurable goods group. Sales of these kinds of items are less subject to outside shocks.

The general consensus among most analysts is that the growth in retail sales and consumer spending in general will probably be influenced by two factors. First of all, tax reform may exert some downward pressure on growth. Some of this pressure will result from the phase-out of the deductability of consumer interest. Additionally, consumers are likely to be somewhat cautious until they are more familiar with the specifics of the new laws. Secondly, heavy debt loads will eventually force consumers to retrench. Still, these developments will only *slow* spending growth, not bring about declines.

Pennsylvania retail sales (millions of dollars)

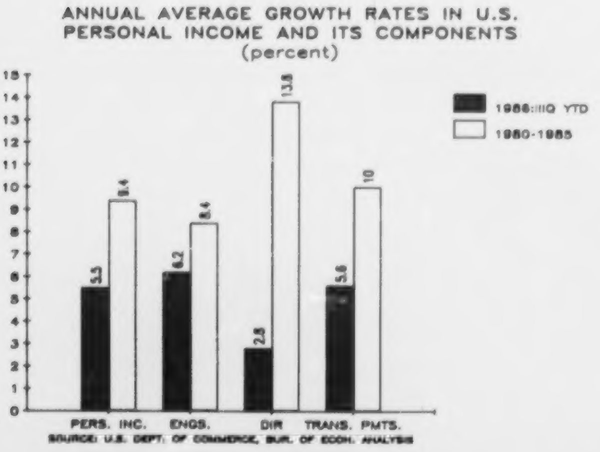
	Retail sales	Pct. change from yr. ago	Durable goods	Pct. change from yr. ago	Nondur. goods	Pct. change from yr.ago
1986:IVQ	19,121	7.9	6,874	19.7	12,247	2.2
1986:IIIQ	17,558	6.2	7,116	18.5	10,442	2.1
1986 YTD	68,793	7.7	25,892	15.3	42,901	3.5

Data is preliminary.
Source: U.S. Dept. of Commerce, Bureau of the Census

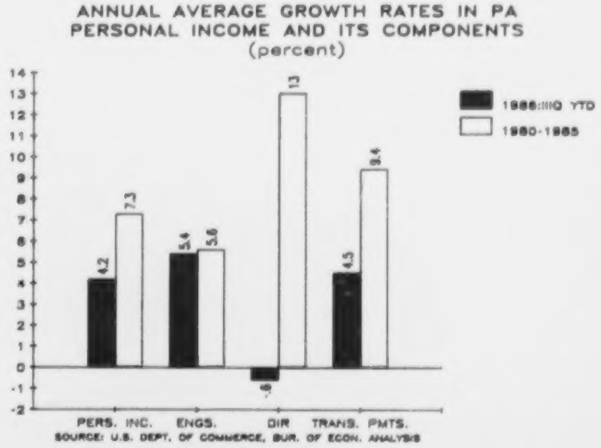
Personal Income Report

Personal income rose 0.8 percent in Pennsylvania during last year's third quarter to $166.7 billion. Nationally, growth totalled a slightly smaller 0.5 percent. In that the last time the Commonwealth outperformed the nation was 1984:IIQ and the relative strength of the State's most recent performance may be traced to the very small, and very volatile, farm sector, it is doubtful that this represents the start of a trend. Growth in nonfarm income, also at 0.8 percent in Pennsylvania during the third quarter of 1986, trailed the nation's 1 percent advance. On the positive side, recent gains in personal income have been strong enough to compensate for a slight rise in overall price levels.

Personal income measures income from all sources: earnings; dividends, interest, and rent (DIR); and transfer payments. A comparison of recent growth trends in these three components relative to historical performances and with respect to national trends brings out some interesting points. On a year-to-date basis, personal income growth in the Commonwealth came in at 4.2 percent for the first three quarters of last year relative to the same period in 1985. However, growth during the first half of the 1980s averaged a much larger 7.3 percent. This decline in growth is partly the result of weakness in the DIR component where income actually declined 0.6 percent on an annual basis during the first three


ANNUAL AVERAGE GROWTH RATES IN U.S. PERSONAL INCOME AND ITS COMPONENTS (percent)

SOURCE: U.S. DEPT. OF COMMERCE, BUR. OF ECON. ANALYSIS


ANNUAL AVERAGE GROWTH RATES IN PA PERSONAL INCOME AND ITS COMPONENTS (percent)

SOURCE: U.S. DEPT. OF COMMERCE, BUR. OF ECON. ANALYSIS quarters of 1986 compared to an average annual gain of 13 percent during the first half of the decade. It is also attributable to weakness in income growth originating from the transfer payments category. Year-to-date growth came in at 4.5 percent through September of last year, less than one-half the 1980-1985 average of 9.4 percent. In the largest category, earnings, which accounts for about two-thirds of personal income, growth through the first three quarters of last year was pretty much in line with recent historical trends (5.4 vs. 5.6 percent).

In addition, despite the improvement in the third quarter, recent trends suggest that Pennsylvania has not been performing up to national standards. On a year-to-date basis, personal income growth at the national level measured 5.5 percent through the first three quarters of 1986, well in excess of the Commonwealth's 4.2 percent rise. Growth in all three categories was considerably stronger at the national level. Much the same can be said for trends over the 1980-1985 period, although much of our poor showing seems to have occurred in the earnings category.

All in all, trends in personal income growth appear to be quite similar to trends in overall economic growth. Clearly, the Commonwealth has registered some recent gains on the income front. However, growth has been moderate and leaves something to be desired compared to trends at the national level.

Pennsylvania personal income
(seas. adj. ann. rates; millions of dollars)

	Personal income	Pct. change Qt. ago	Yr. ago
1986:IIIQ	166,652	0.8	4.3
1986:IIQ	165,364	1.1	4.1
1985:IIIQ	159,837	0.6	4.9

Source: U.S. Dept.of Commerce,
Bur. of Econ. Analysis

Travel and Tourism: Pennsylvania's Second Largest Industry

Pennsylvania's economy is in a rapid state of transition. During the period from 1979-1985, total employment in traditional occupations such as mining declined 27 percent, while employment in manufacturing likewise declined 21 percent. While these traditional areas of employment declined, the service sector of Pennsylvania's economy increased 23 percent (Fuller and Gillis, *Road to Renaissance: Growth Industries for Pennsylvania*, 1986).

One often overlooked area of employment within a growing service sector is tourism. In 1985, travel and tourism directly accounted for 184,124 jobs throughout the State or about 4 percent of the nonagricultural employment. While total employment declined from 1980-1984 by 0.4 percent, travel-generated employment was up 3.4 percent (*Pennsylvania Travel Review*, 1985).

Travel expenditures in Pennsylvania increased to $8 billion in 1984, up 8 percent from 1983. By 1985, travel expenditures totalled over $8.8 billion, making Pennsylvania the sixth largest state in terms of travel expenditures.

Travel and tourism is the second biggest industry in the State of Pennsylvania (U.S. Travel Data Center, 1985). Of particular economic importance is the fact that 53 percent of the total expenditures are from out-of-State travelers, thus bringing revenue into the State as well as recycling it within the State (*Pennsylvania Travel Data Book*, 1985). The vast majority of trips through and to Pennsylvania, 85 percent, were for pleasure rather than business. The average round trip in 1984 to or through the State was 940 miles in length, an increase of 220 miles from 1974.

Pennsylvania travel expenditures as a portion of the gross state product amounted to 2.8 percent in 1972, 4.6 percent in 1978, and 4.9 percent in 1984. This growth directly generates new jobs. In 1984, every $43,402 spent by travelers directly generated one job (*Pennsylvania Travel Review*, 1985).

Research concerning the characteristics of the Pennsylvania traveler (Shih, *VALS As a Tool of Tourism Market Research: The Pennsylvania Experience*, 1986) has shown that they are most frequently "Belongers" — conservative and conventional middle-class people who live comfortable, home-centered lives. "Belongers" rate Pennsylvania higher than surrounding states as a safe place to visit, having reasonable prices, relaxing vacations, friendly people and beautiful scenery. Travelers with a wide variety of lifestyles think of Pennsylvania as having friendly people, confirming the appropriateness of the State's "You've got a friend in Pennsylvania" campaign.

In order for Pennsylvania to re-orient and expand its economic base, a multiple strategy must be undertaken with tourism an increasingly important component along with the development of high-tech industry, and the revitalization of agriculture and traditional industries.

Tourism and leisure amenities provided by communities have become a critical force in attracting and retaining industry, revitalizing urban centers, and maintaining the high quality of life. In many instances, the infrastructure of both small towns and large cities is more dependent on tourism and other leisure behavior than upon a traditional industrial base. Historic preservation, urban waterfront redevelopment, local festivals, increased use of public parkland by tourists and the development of conference and convention facilities demonstrate this trend.

Although many industries within Pennsylvania have a direct and extensive relation within institutions of higher education, the same cannot be said for tourism. While isolated University coursework and research concerning tourism has existed within the State, Pennsylvania had not established any systematic relationship between the tourism industry and higher education such as exists in many states. In such states, universities, particularly land-grant universities, have established centers to aid the tourism industry within their state and region.

In 1985-1986, a study was undertaken jointly by Penn State University's College of Business Administration and College of Health, Physical Education, and Recreation to determine the need for a university-based tourism center in Pennsylvania and the adequacy of the educational resources of Penn State which could contribute to such a center. Results of the study showed both a need in Pennsylvania for a university-based tourism center as well as the existence of qualified faculty from a number of diverse academic backgrounds with interest and accomplishments related to tourism.

The Center for Travel and Tourism Research: Based upon the results of this study, in January 1987, The Pennsylvania State University established a Center for Travel and Tourism Research. This Center is designed to be a self-supporting unit specializing in applied research relating to tourism. It will also serve as a repository for data concerning travel and tourism in Pennsylvania as well as the rest of the world.

Research undertaken by the Center will utilize the skills of faculty from a variety of disciplines. Such research may include studies of tourism promotion, tourism marketing and management, the economic, cultural, social and environmental impacts of tourism; tourist motivations, satisfactions and behaviors; evaluation of tourism marketing campaigns; the role of tourism in industrial development in downtown revitalization; the impact of tourism on job creation and retention; and the impact of tourism on public lands.

In terms of "tracking" the tourism industry, the Center will begin some monitoring of economic, employment and visitation trends within the State. Such information will help assess the conditions of the industry, determine management and marketing practices and provide insight into the long-range economic and social forces which may impact upon the industry.

A resource room has been established which will contain a wide variety of books, research reports, and periodic literature pertaining to travel and tourism. An information letter, conferences and seminars are planned for the future. The Directory of Tourism Scholars has been developed to help identify faculty at Penn State with expertise in various aspects of tourism.

Dr. Richard Gitelson, a specialist in tourism related research, will serve as the Director of the Center for Travel and Tourism Research. Dr. Gitelson, formerly of the University of North Carolina, brings a broad background of state level tourism research to this position. Those interested in finding out more about the Center's services may do so by phoning (814) 865-1854.

— Dr. Geoff Godbey, Professor of Recreation and Parks
The Pennsylvania State University

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PENNSYLVANIA BUSINESS SURVEY

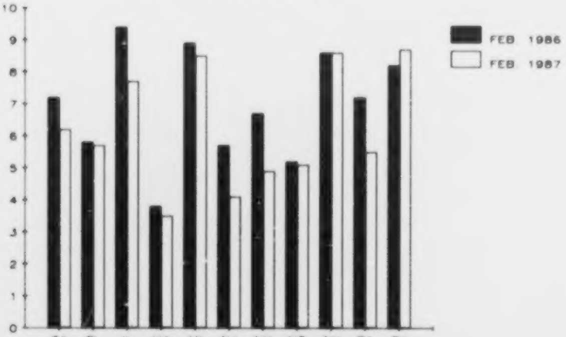
College of Business Administration The Pennsylvania State University April 1987

CAUTION REQUIRED IN READING ECONOMY'S HEALTH

Data for the month of February illustrate once again that caution must be exercised in interpreting changes in the unemployment rate. **On the surface, the decline in the jobless rate from 6.1 percent in January to 5.5 percent in February after adjustment for normal seasonal variations, points to a strong economic performance. However, a closer examination of the underlying factors which influence the rate suggests that this outlook may be a bit too optimistic.**

The unemployment rate is calculated by simply dividing the number of unemployed by the labor force. Hence, an analysis of the behavior of these variables, and the related behavior of the number of Pennsylvanians counted as employed, is required to correctly interpret changes in the jobless rate. The number of residents officially listed as without a job did fall in February, by 31,000 to 305,000, seasonally adjusted, as estimated by Penn State's Center for Regional Business Analysis. The U.S. Bureau of Labor Statistics estimated that the decline was 37,000, leaving the number of unemployed at 306,000. (These minor differences in estimates are partly the result of slight differences in seasonal adjustment procedures.) At the same time, the labor force fell by about 45,000 to a total of 5.6 million. Regardless of the estimates used, those of the Center or those of BLS, the decline in the labor force exceeded the decline in unemployment. Hence, this translates into a drop in employment. The Center for Regional Business Analysis estimates that employment fell by 15,000 to 5.25 million, while the BLS puts the decline at 12,000, leaving employment at 5.26 million. Therefore, **February's decline in the unemployment rate is not necessarily a sign of an especially healthy economy.** Keep in mind that there are error ranges associated with these estimates. Still, it is fairly safe to assume that employment, at best, held fairly steady in February.

UNEMPLOYMENT RATES FOR 11 LARGE STATES, FEB. 1986 AND FEB. 1987 (percent)



SOURCE: U.S. DEPT. OF LABOR, BUR. OF LABOR STATS.

As shown in the accompanying chart, Pennsylvania's unemployment rate has declined considerably over the past year. Last February, the Commonwealth maintained a 7.2 percent jobless rate. At that time, five of the 11 large states for which similar data are available had lower rates and one, California, had an identical one. This past February, just four states had lower readings. But again, caution in interpreting the decline should be exercised. Over the twelve-month period, employment was up 0.4 percent in Pennsylvania. Nationally, the growth rate was 2.6 percent. At the same time, Pennsylvania's labor force actually fell 1.5 percent compared to a 1.9 percent gain in the U.S. However, there was a startling 23 percent drop in the number of unemployed in the Commonwealth. Again, it appears that a first glance at the behavior of the unemployment rate leads to some overly-optimistic conclusions.

Hence, despite the fairly solid downward trend in unemployment as of late, **there appear to be no signals to suggest that the economy is growing at anything more than a moderate pace. At the same time, strength in the economy's growth industries, most notably in the service-producing area, should be enough to avoid any significant downturn in the near future.** In that the Pennsylvania index of leading indicators, which declined only slightly in February, continued holding fairly steady in a narrow range as it has for the last several months, a continuation of recent trends seems likely. Recent behavior in one component of the index, initial claims for unemployment insurance, has predicted quite well the decline in the number of residents counted as unemployed (see chart). The number of claims tends to increase before a rise in the number of residents counted as unemployed and to decrease before a fall in unemployment.

For once, there was a sizeable increase in the number of jobs in Pennsylvania's manufacturing establishments in February. Normally, about 700 jobs are lost in February strictly for seasonal reasons. In fact, February is one of the slowest months of the year for the Commonwealth's manufacturers. This past February, however, 3,400 positions were added, resulting in a seasonally adjusted gain of 4,100. The 1,038,600 manufacturing positions after adjustment for normal seasonal variations is the highest number since September 1986.

Unfortunately, the major portion of these additions are not newly created jobs. Instead, they are attributable to the return of the USX workers. Still, **job losses in manufacturing do not appear to be as severe as in the recent past.** In the February issue of the *Survey*, our forecast was for continued job losses in manufacturing, though not as severe as in 1986. Indeed, that forecast has held at least through the first two months of the year. Job losses so far in 1987 have amounted to 2.8 percent compared to a year ago versus 3.7 percent for all of last year. Furthermore, during the first two months of 1986, job losses occurred at a 4 percent annual clip.

As USX resumed production, there was a slight gain in steel output in Pennsylvania. Average daily steel production rose from 20,000 tons to 20,200 tons after seasonal adjustment. Furthermore, total tonnage rose from 598,000 tons in January to 638,000 tons in February. However, care should be exercised in drawing any definite conclusions from the increase in that the total tonnage data is not adjusted for seasonality. **The end of the USX strike will probably distort the data, for both jobs and production, for the next few months.**

Other indicators, however, point to continued sluggishness in manufacturing. The average workweek held steady at 40.8 hours, seasonally adjusted. Total hours worked rose only slightly, as did the value of weekly payrolls. Additionally, electricity sales to industry, a fairly reliable barometer of industrial activity, fell slightly in February. Hence, **despite the increase in job levels during the month, there is definite-**

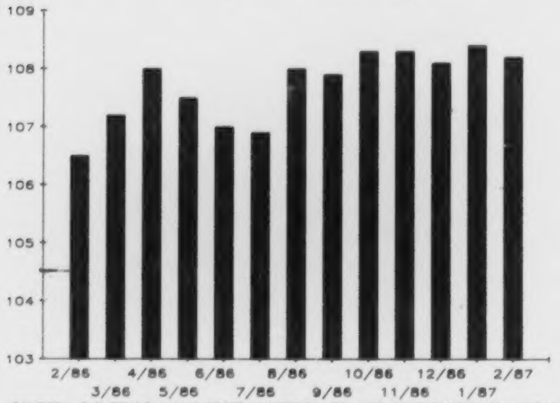
Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1987		1986	1987		1986	1987		1986
	Jan.	*Feb.*	*Feb.*	*Jan.*	*Feb.*	*Feb.*	*Jan.*	*Feb.*	*Feb.*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	4,759*	4,759	4,674	4,841*	4,850	4,766	106.0*	106.2	104.4
Nonmanufacturing									
No. of wage and salary jobs (thous.)	3,725*	3,728	3,618	3,807*	3,811	3,701	118.1*	118.2	114.8
Mining	31	31	34	33	33	36	68.7*	68.7	74.4
Contract construction	182	175	160	209	205	190	113.7	111.3	103.3
Transportation	136*	136	136	138*	138	138	86.0*	85.9	86.0
Public Utilities	103*	104	101	103*	104	102	102.5*	103.5	101.0
Wholesale trade	263	264	254	265	267	258	119.6*	120.6	116.2
Retail trade	834*	823	798	848	851	826	118.2*	118.7	115.2
Finance, insurance & real estate	281*	281	268	284*	285	272	130.4*	130.8	124.9
Service & miscellaneous	1,223*	1,231	1,180	1,246*	1,248	1,197	144.4*	144.7	138.7
Federal government	137*	138	140	138*	139	140	108.0*	108.3	109.4
State & local government	535*	546	548	542*	540	542	92.9*	92.6	92.9
Manufacturing									
No. of wage and salary jobs (thous.)	1,025*	1,028	1,054	1,035*	1,039	1,064	77.1*	77.4	79.3
Durable goods	578*	581	602	584*	587	609	72.1*	72.5	75.2
Nondurable goods	447*	448	452	451*	451	455	84.7*	84.8	85.5
Ave. wkly. hrs. worked by prod. workers	40.6	40.6	39.5	40.8	40.8	39.7	103.2	103.2	100.4
Total wkly. person-hours worked (mils.)	28.0	28.1	28.2	28.5	28.6	28.7	74.2	74.5	74.8
Total wkly. payroll (mil. dols.)	275.3	277.2	274.5	279.7	281.0	278.2	124.5	125.1	123.8
Steel production (thous. tons)	598	638	994	n.a.	n.a.	n.a.	28.4	28.8	45.0
Industrial electric power sales (mil. kwh)	3,364	3,412	3,515	3,419	3,356	3,462	92.6	90.9	93.7
Mining									
Anthracite coal (thous. net tons)	327	337	243	380	422	303	77.7	86.4	62.1
Bituminous coal (thous. net tons)	4,301	n.a.	5,014†	4,840	n.a.	5,461†	68.6	n.a.	77.4†
Construction contracts awarded (mil. dols.)									
Total	480.7	488.4	510.9*	765.4	808.1	838.1*	237.9	251.2	260.5*
Residential building	180.2	173.8	162.9*	385.5	336.6	319.8*	273.9	239.2	227.2*
Nonresidential building	200.5	149.6	161.6*	251.2	247.1	268.6*	231.6	227.7	247.6*
Nonbuilding (utilities and public works)	100.0	165.0	186.3*	128.7	224.4	249.7*	177.5	309.6	344.4*
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,131	5,078	5,059	5,264	5,249	5,232	109.5	109.2	108.9
Unemployed									
No. of persons (thous.)	359	349	453	336	305	407	83.9	76.1	101.6
Rate (percentage of labor force)	6.5	6.4	8.2						
Rate, seasonally adjusted				6.1	5.5	7.2			
Civilian labor force, no. of persons (thous.)	5,490	5,427	5,512	5,600	5,555	5,639	107.6	106.7	108.3
Initial claims for unemployment benefits	162,578	91,710	105,731	103,997	105,643	121,444	72.6	73.8	84.8

Consumer Prices, all items	Urban Indexes (1967 = 100)			Percentage Change	
	1986-87		1986	*Month*	*Year*
	Jan.	*Feb.*	*Feb.*	*Ago*	*Ago*
U.S. city average	333.1	334.4	327.5	+0.4	+2.1
Philadelphia	327.7	329.0	320.1	+0.4	+2.8
Pittsburgh	n.a.	335.2	330.1	n.a.	+1.5

[1] Total includes workers on strike. * = figure revised † = figure for January 1986 n.a. = data not available

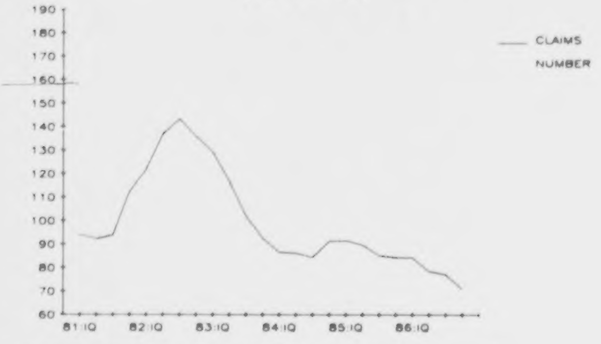
SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

PENNSYLVANIA COMPOSITE INDEX OF LEADING INDICATORS (Jan 1972=100)



SOURCE: THE PENNSYLVANIA STATE UNIVERSITY, COLLEGE OF BUSINESS ADMINISTRATION

INITIAL CLAIMS FOR FOR UNEMPLOYMENT INSURANCE IN PA AND THE NUMBER OF UNEMPLOYED (1977=100)



SOURCE: THE PENNSYLVANIA STATE UNIVERSITY, COLLEGE OF BUSINESS ADMINISTRATION

ly a lack of strength being generated by the Commonwealth's manufacturers.

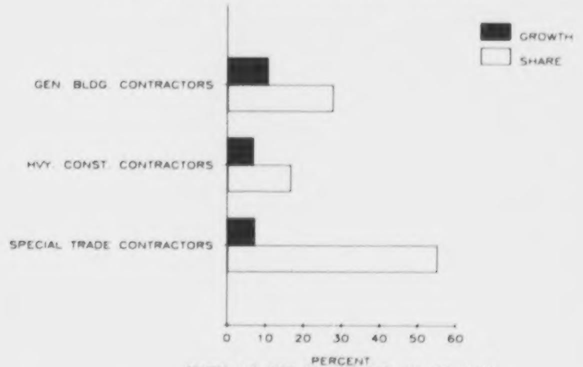
Despite a slight dip in job levels during February, **most indicators suggest that construction activity remains quite healthy in the Commonwealth.** A strong surge in nonbuilding contract awards pushed up the value of total construction contracts awarded for the month to $808.1 million, seasonally adjusted, up 5.6 percent from January. **Recent gains in the nonbuilding area, which includes such items as utilities and public works, are quite welcome given the importance of these projects in revitalizing Pennsylvania's economy.** A sound infrastructure network is a good drawing card for prospective businesses. Contract values in this category have increased in each of the past three years, including a solid 25 percent jump in 1986. Unfortunately, despite February's rise, nonbuilding contract values so far this year are down almost one-fifth from the first two months of 1986.

Recent behavior in construction employment tends to suggest that construction activity peaked during last year's second half. In fact, after topping a seasonally adjusted 210,000 for only the second time on record last December, the number of construction jobs has declined in each of the past two months. Still, the 204,700 workers in this industry after adjustment for normal seasonal variations is quite high in historical terms. **Construction employment stood 9.1 percent higher in February compared to a year ago.**

The accompanying chart provides a very brief overview of Pennsylvania's construction industry. More than one-half of all jobs are accounted for by special trade contractors. General building contractors employ about 30 percent, with heavy construction contractors accounting for the remainder of all jobs. Furthermore, at least in 1986, job gains were fairly evenly distributed across all three categories.

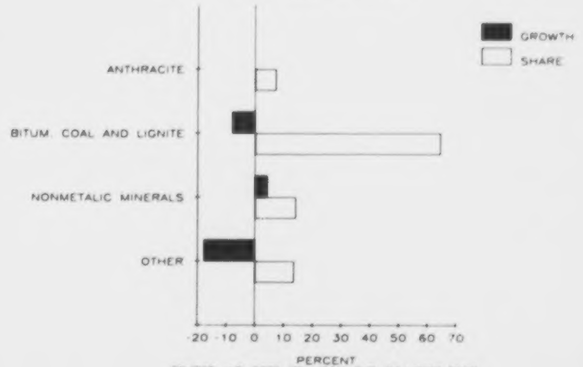
Problems in Pennsylvania's mining industry, especially in coal mining, are well-documented. Job levels have sunk to all-time lows as a variety of structural changes have brought severe hardships to the industry and its workforce. The bituminous coal industry is dominant in terms of job shares (see chart), accounting for about two-thirds of all mining jobs. Other industries, such as nonmetalic minerals (approximately 15 percent) and anthracite coal (less than 10 percent), are quite small in comparison.

CONSTRUCTION INDUSTRIES IN PA: 1985-1986 JOB GROWTH AND 1986 JOB SHARES



SOURCE: U.S. DEPT. OF LABOR, BUR. OF LABOR STATS

MINING INDUSTRIES IN PA: 1985-1986 JOB GROWTH AND 1986 JOB SHARES



SOURCE: U.S. DEPT. OF LABOR, BUR. OF LABOR STATS

Elsewhere, however, a good deal of strength can be found in the service-producing industries. Job gains were recorded in each of the private-sector service-producing industries as well as in the federal government in February. **Record high job levels were recorded in the retail trade, wholesale trade, finance-related, and services industries.**

As a result of the strength coming from these industries, total nonmanufacturing job levels rose again in February to a seasonally adjusted 3.81 million workers. All told, there were 4,400 more workers in Pennsylvania's nonmanufacturing establishments in February compared to January. Nonmanufacturing job levels have been rising practically nonstop since 1983 with a new record being set almost monthly.

The future health of the Pennsylvania economy is heavily dependent upon trends in the national economy. **Given the rather lackluster economic performance in the U.S. as a whole, it is quite unlikely that activity in the Commonwealth will suddenly accelerate.** However, most analysts expect that improvements on the foreign trade front will offset problems in other areas, such as with capital spending and a possible retrenchment on the part of consumers. Hence, just as with Pennsylvania, the national economy will continue to expand in the near-term, but the rate of growth will be considerably less than robust.

— William D. Anderson

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PENNSYLVANIA BUSINESS SURVEY

College of Business Administration The Pennsylvania State University May 1987

ECONOMY MEANDERS ON

Despite the second consecutive monthly gain in manufacturing job levels to go along with the continued strength in most nonmanufacturing industries during March, there appear to be enough question marks in the overall picture to temper excitement concerning the Pennsylvania economy's recent performance. As was the case in February, a major portion of manufacturing's apparent "strength" is attributable to the end of the USX work stoppage. After adjustment for normal seasonal variations, there were 1,037,800 jobs in Pennsylvania manufacturing establishments in March, up about 700 from the month before. Although the resumption of steel production at USX facilities is certainly welcome news, the resulting increase in jobs should not be interpreted as signaling a turn-around in manufacturing's fortunes. Even if the primary metals industry is ignored, manufacturing job levels during this year's first quarter were down about 16,000 from a year ago.

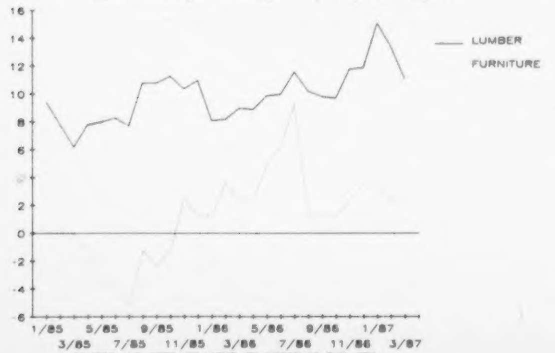
Output from the Commonwealth's steel mills also benefitted from the USX situation. On an average daily basis, production rose from a seasonally adjusted 19,900 tons per day in February to 24,000 tons in March. Still, production levels remain well below those which prevailed throughout the first half of 1986. There were 87,500 workers in Pennsylvania's primary metals industries in March, down from 95,300 a year ago.

On the other hand, **activity in the Commonwealth's nonmanufacturing sector appears to be quite healthy.** After adjustment for normal seasonal variations, the number of jobs in Pennsylvania's construction industry, 211,800 in March, surpassed the previous record of 211,400 set in March 1974. The true test of just how strong the construction-job picture is will come in the usually strong spring and summer months. Another indicator of construction activity, the value of contracts awarded, rose by more than $330 million after seasonal adjustment. Much of the gain is attributable to a surprising surge in the nonresidential building category. On the residential side, there was a gain of about $30 million, seasonally adjusted.

Residential construction activity has been quite strong for several months. This strength has spilled over into other construction-related industries. As shown in the accompanying chart, job gains in the lumber and wood products industry and in the household furniture industry have been quite healthy. This provides an excellent example of the "multiplier" principle in economics. Increased activity in one sector of the economy tends to spread elsewhere. Therefore, the net benefit to the economy from construction's health is some multiple of the initial stimulus.

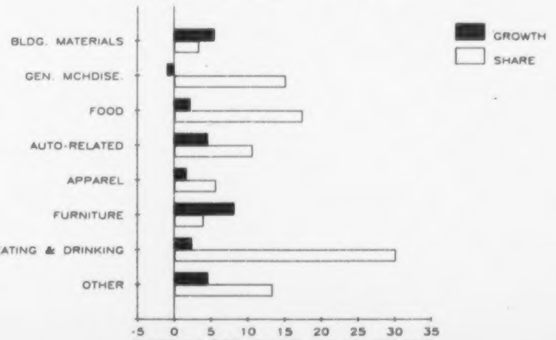
Elsewhere in nonmanufacturing, job growth in retail trade remained strong. There were 3,400 more workers in these establishments in March compared to February, leaving job levels at a seasonally adjusted 855,400, another record high. The accompanying chart provides a very brief overview of Pennsylvania's retail trade industry. Eating and drinking establishments account for the largest share of all jobs, about 30 percent. The food and general merchandise categories also account for relatively large shares. Last year, job gains were realized in all but the general merchandise group. Increased construction activity probably played a role in pushing job growth up in the furniture and building materials categories to the top two spots relative to the remainder of the industry.

PA JOB GROWTH IN CONSTRUCTION-RELATED INDUSTRIES
(percentage change from year ago)



SOURCE: U.S. DEPT. OF LABOR, PA OFFICE OF EMP. SEC.

RETAIL TRADE INDUSTRIES IN PA:
1985-1986 JOB GROWTH AND 1986 JOB SHARES
(by type of establishment; percent)

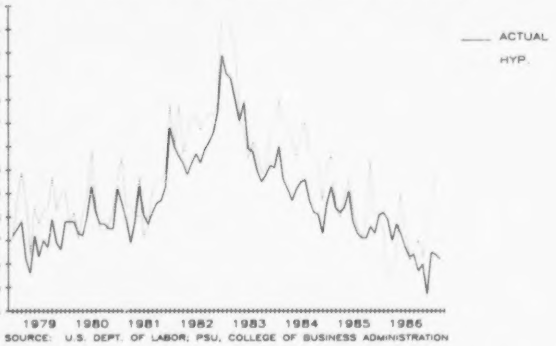


SOURCE: U.S. DEPT. OF LABOR, BUR. OF LABOR STATS.

Developments on the employment/unemployment front continue to suggest sluggishness in the overall economy. The unemployment rate rose 0.4 percentage point in March to a seasonally adjusted 5.9 percent as the number of residents counted as unemployed rose by about 20,000. Still, evidence suggests that there is a definite downward trend in unemployment. In March 1986, the unemployment rate stood at 7.6 percent.

However, as pointed out in several recent issues of the *Survey*, **the general improvement in the unemployment situation probably over-estimates the true health of the economy.** Employment has now declined in five of the past seven months. For the first quarter as a whole, employment was up a very modest [illegible]1 percent in Pennsylvania compared to 1986:IQ. Nationally, employment was up 2.3 percent.

PA ACTUAL AND "HYPOTHETICAL" UNEMPLOYMENT RATES
(percent; "hypothetical" rates assume the labor force grows at national rate)



SOURCE: U.S. DEPT. OF LABOR; PSU, COLLEGE OF BUSINESS ADMINISTRATION

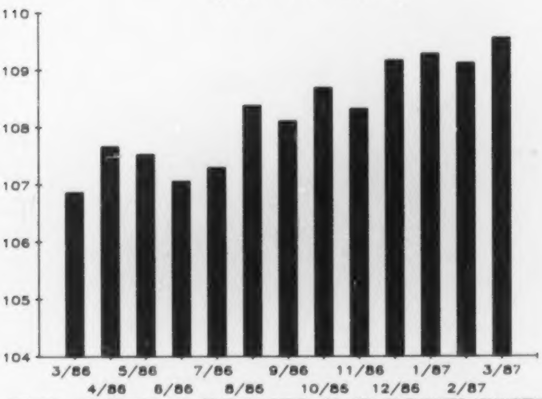
Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1987		1986	1987		1986	1987		1986
	Feb.	*Mar.*	*Mar.*	*Feb.*	*Mar.*	*Mar.*	*Feb.*	*Mar.*	*Mar.*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	4,760*	4,808	4,711	4,852*	4,866	4,769	106.3*	106.6	104.5
Nonmanufacturing									
No. of wage and salary jobs (thous.)	3,731*	3,774	3,655	3,815*	3,828	3,709	118.4*	118.8	115.1
Mining	31	32	34	33	33	35	68.9	67.7	72.5
Contract construction	176*	188	170	206*	212	193	111.8*	115.1	104.9
Transportation	136	137	137	138	138	139	85.9	86.0	86.1
Public Utilities	104	104	101	104	105	102	103.4	103.9	101.1
Wholesale trade	264	266	256	267	268	258	120.6	121.0	116.5
Retail trade	824*	834	807	852*	855	828	118.8*	119.3	115.4
Finance, insurance & real estate	281	281	270	285	284	273	130.8	130.6	125.6
Service & miscellaneous	1,231	1,240	1,190	1,247	1,248	1,199	144.6	144.7	139.0
Federal government	138	140	140	139	140	140	108.3	109.3	109.3
State & local government	549*	553	551	542*	544	541	93.0	93.3	92.9
Manufacturing									
No. of wage and salary jobs (thous.)	1,027*	1,032	1,054	1,037*	1,038	1,060	77.3*	77.3	79.0
Durable goods	579*	584	601	586*	588	606	72.4*	72.6	74.8
Nondurable goods	448*	448	452	451*	450	454	84.7*	84.5	85.4
Ave. wkly. hrs. worked by prod. workers	40.5*	40.6	40.1	40.7*	40.5	40.1	102.9	102.6	101.5
Total wkly. person-hours worked (mils.)	28.0*	28.2	28.6	28.6*	28.4	28.8	74.4*	73.9	75.1
Total wkly. payroll (mil. dols.)	276.2*	278.1	277.7	279.8*	279.4	279.3	124.5*	124.4	124.3
Steel production (thous. tons)	628	895	1,074	n.a.	n.a.	n.a.	28.3	34.2	41.0
Industrial electric power sales (mil. kwh)	3,412	3,534	3,475	3,356	3,471	3,405	90.9	94.0	92.2
Mining									
Anthracite coal (thous. net tons)	337	389	260	422	421	280	86.4	86.3	57.3
Bituminous coal (thous. net tons)	5,205	n.a.	4,762†	5,690	n.a.	5,206†	80.7	n.a.	73.8†
Construction contracts awarded (mil. dols.)									
Total	488.4	1090.6	828.1*	808.1	1138.8	865.9*	251.2	354.0	269.1*
Residential building	173.8	363.9	308.7*	336.6	365.0	326.6*	239.2	259.3	232.0*
Nonresidential building	149.6	475.1	291.7*	247.1	548.2	344.7*	227.7	505.3	317.8*
Nonbuilding (utilities and public works)	165.0	251.6	227.8*	224.4	225.6	194.6*	309.6	311.3	268.5*
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,078	5,106	5,188	5,249	5,199	5,285	109.2	108.2	110.0
Unemployed									
No. of persons (thous.)	349	340	447	305	325	432	76.1	81.0	107.7
Rate (percentage of labor force)	6.4	6.2	7.9						
Rate, seasonally adjusted				5.5	5.9	7.6			
Civilian labor force, no. of persons (thous.)	5,427	5,446	5,635	5,555	5,524	5,717	106.7	106.1	109.8
Initial claims for unemployment benefits	91,710	81,084	98,020	105,643	97,327	118,384	73.8	68.0	82.7

Consumer Prices, all items	Urban Indexes (1967 = 100)			Percentage Change	
	1986-87		1986	*Month*	*Year*
	Feb.	*Mar.*	*Mar.*	*Ago*	*Ago*
U.S. city average	334.4	335.9	326.0	+0.4	+3.0
Philadelphia	329.0	329.4	319.1	+0.1	+3.2
Pittsburgh	335.2	n.a.	330.1†	n.a.	+1.5

[1] Total includes workers on strike. * = figure revised † = figure for February 1986 n.a. = data not available

SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

PENNSYLVANIA COMPOSITE INDEX
OF LEADING INDICATORS
(Jan 1972=100)



SOURCE: THE PENNSYLVANIA STATE UNIVERSITY, COLLEGE OF BUSINESS ADMINISTRATION

Percentage of PA nonagricultural jobs accounted for by individual metropolitan areas, 1981 and 1987:IQ

	1981	1987:IQ
Allentown-Bethlehem	5.57	5.50
Altoona	1.04	1.01
Beaver County	1.59	1.04
Erie	2.35	2.26
Harrisburg-Lebanon-Carlisle	5.54	5.97
Johnstown	1.75	1.58
Lancaster	3.24	3.65
Philadelphia	40.76	44.22
Pittsburgh	19.07	17.51
Reading	2.93	3.04
Scranton-Wilkes-Barre	5.69	5.82
Sharon	0.98	0.83
State College	0.96	1.07
Williamsport	0.97	1.00
York	3.29	3.44

Source: PA Office of Emp. Sec., Dept. of Labor and Industry

March also brought with it a further reduction in the size of the labor force in Pennsylvania, the sixth decline in the past seven months. The fact that the labor force has been declining as of late and has not expanded nearly as fast as in the U.S. over the course of the past several years has played a considerable role in pushing down the unemployment rate in Pennsylvania. As shown in the accompanying chart, **had the State's labor force expanded at the national rate, our "hypothetical" jobless rate, for the most part, would have been a good deal higher than it actually has been.** Keep in mind that some "non-economic" factors, such as smaller natural increases in the population and an older workforce, have contributed to sluggish growth in Pennsylvania's labor force. However, there are some economic explanations as well. **A large number of people have left the State or simply dropped out of the labor force, probably because of a perceived lack of suitable job opportunities.**

There also appears to be a good deal of discrepancy across the various regions of Pennsylvania. As shown in the accompanying table, since 1981, **the share of all nonagricultural jobs accounted for by southeastern Pennsylvania has been on the rise relative to the rest of the State.**

Pennsylvania Composite Indexes

	Index		Percentage Change from Preceding Month	
	Leading	*Coincident*	*Leading*	*Coincident*
July 1986	107.3	84.9	0.2	−0.2
August	108.4	85.2	1.0	0.4
September	108.1	84.9	−0.3	−0.4
October	108.7	84.5	0.6	−0.5
November	108.3	84.1	−0.4	−0.5
December	109.2	84.3	0.8	0.2
January 1987	109.3	84.7	0.1	0.5
February	109.1	84.5	−0.2	−0.2
March	109.6	84.3	0.5	−0.2

At the same time that one should not get too excited about the recent performance of the Pennsylvania economy, it is best not to be overly pessimistic, either. We have been generating a fair amount of jobs in our nonmanufacturing establishments and unemployment is on the decline. (As mentioned previously, however, caution should be exercised in interpreting this decline.) Indeed, the index of leading indicators points to a continuation of these trends, resulting in expectations for more modest, but uneven, growth ahead.

— *William D. Anderson*

Housing Permits Report

Residential construction activity in Pennsylvania remains on a surprisingly strong upward path. All told, 11,264 housing units were authorized in permit issuing places in the Commonwealth during the January-March period. This represents a gain of 43.4 percent from a year ago. Permits for single-family units were up 31.4 percent for the quarter. Pennsylvania's numbers continue to stack up well relative to the nation where the number of housing units authorized actually fell by 7.5 percent on an annual basis in the first quarter. On the single-family side, an 8.4 percent gain was recorded.

Pennsylvania housing units authorized in permit issuing places

	Total	Pct. change from yr. ago	Single units	Pct. change from yr. ago
1987:IQ	11,264	43.4	8,931	31.4
1986:IVQ	12,024	16.5	10,275	18.3

Source: U.S. Dept. of Commerce, Bureau of the Census

Value of Pennsylvania housing units authorized in permit issuing places (thousands of dollars)

	Total	Pct. change from yr. ago	Single units	Pct. change from yr. ago
1987:IQ	670,900	63.0	584,829	54.1
1986:IVQ	703,553	30.2	647,290	33.1

Source: U.S. Dept. of Commerce, Bureau of the Census

At the same time, permit authorizations in the multi-family sector continued showing solid gains, as has been the case for the past half-year. Although a lack of data prevents a thorough analysis for Pennsylvania, given trends at the national level, where several factors (i.e., tax reform) have pushed down activity in the multi-family sector, this is especially surprising.

The value of all permits for housing units authorized during the three-month period came to $670.9 million in Pennsylvania, a gain of 63 percent from the first quarter of 1986.

Around the State

Northeastern Quarter

Allentown-Bethlehem

Economic conditions during this year's first quarter in the Allentown-Bethlehem metropolitan area fail to signal any real signs of overall strength, but there are no clear signs of any impending downturn, either. There continues to be a wide discrepancy with respect to job growth between the manufacturing and nonmanufacturing sectors. The good news comes from nonmanufacturing where job levels have risen almost continuously since 1983 after adjustment for normal seasonal variations. Based on historical trends, nonmanufacturing job levels should have declined by about 5,700 between last year's fourth quarter and the first quarter of 1987. In that the actual decline was only 3,900, to 185,800, the end result was a seasonally adjusted gain of 1,800 to another record high.

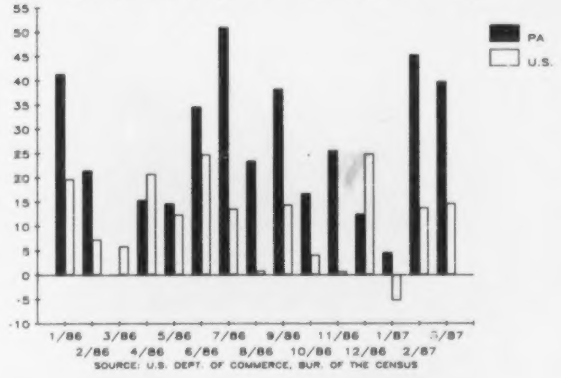
Construction activity remains quite strong as the number of jobs rose from 8,900 in the first quarter of 1986 to 10,600 in 1987:IQ. Contracts awarded for residential construction projects rose 31 percent to $64.6 million. Nonresidential contract values fell 7 percent to $29.1 million.

A good deal of these job gains are being offset by losses in manufacturing. Job levels in these industries have been on the decline since mid-1984. The 76,600 positions in these establishments in the first quarter represent a loss of 5,200 jobs from the same period a year ago. Even after adjusting for the normal seasonal ups and downs which occur, first quarter job levels represent an all-time low. The bulk of these declines have been occurring in the durable goods industries. In 1975, durable goods manufacturing accounted for nearly one-quarter of all nonagricultural jobs. In 1986, the figure was 14 percent.

The end result of these trends has been very little, albeit positive, job growth in the nonagricultural sector as a whole. Compared to a year ago, the number of nonfarm positions grew by 1.3 percent. In Pennsylvania, the growth rate was 1.9 percent while a 2.4 percent advance occurred in the nation.

At 4.8 percent, seasonally adjusted, in the first quarter, the jobless rate was down nearly one-half from a year ago and stood well below readings for Pennsylvania and the U.S. However, a good deal of the downward pressure on unemployment is attributable to a declining labor force. At the same time, employment of the region's residents, at 287,900, was off 2,700 from 1986:IQ.

PA AND U.S. SINGLE-FAMILY HOUSING PERMIT GROWTH
(percent change from year-ago month)



SOURCE: U.S. DEPT. OF COMMERCE, BUR. OF THE CENSUS

Scranton-Wilkes-Barre

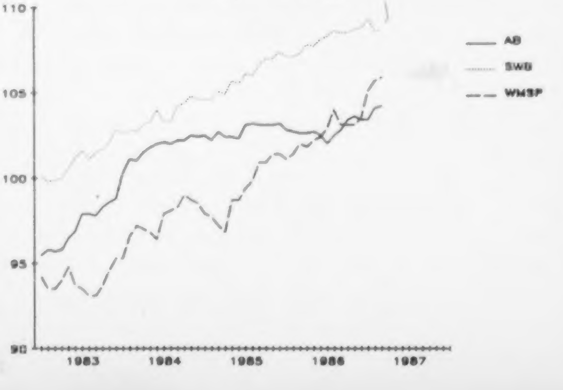
There was mixed news on the economic front in the Scranton-Wilkes-Barre area in the first quarter as the region's manufacturers continued experiencing problems. There were 71,200 jobs in manufacturing establishments during the January-March period, down from 72,200 a year earlier. After seasonal adjustment, a record low number of manufacturing positions were maintained during the first quarter. Surprisingly, job gains have been recorded in the durable goods sector. Over the 1986:IQ-1987:IQ period, 800 positions were added in these establishments. On the nondurables side, 1,800 jobs were lost.

At 38.6 hours, there is probably some slack in the average factory workweek. Workers already on payroll will probably put in longer hours before there are any new hires.

Good news keeps coming from the nonmanufacturing sector as job levels continued to increase following the recessions of the early 1980s. There were 206,600 nonmanufacturing jobs in the first quarter, up 5,200 from a year ago. Adjustment of the data for seasonality shows that there were record numbers of workers in the region's nonmanufacturing establishments during the first quarter. Service-producing industries, where the bulk of all new jobs are being created, realized a 2.3 percent job gain between the first three months of 1986 and the same period in 1987.

Construction activity in the region appears to be quite healthy. Compared to a year ago, residential construction contracts awarded in the first quarter were up 12 percent in value

INDUSTRY JOBS NORTHEASTERN QUARTER
1977 = 100.



Allentown-Bethlehem Area[1]

	Ave. mo. value 1 Q.'87	Average monthly index seas. adj. (1977 = 100) 1 Q.'87	4 Q.'86	1 Q.'86
Employment *(in thousands)*				
Employed, no. of residents	287.9	108	108	109
Unemployed, no. of residents	16.3	72	86	130
Rate, seasonally adjusted	4.8			
Civilian labor force, no. of residents	304.2	105	106	110
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	262.5	104	104	103
Nonmfg. only, no. of jobs	185.8	128	126	122
Mfg. only, no. of jobs	76.6	71	72	76
Hrs. worked by production workers in mfg., *ave. weekly*	38.8	103	102	100
Industrial electric power sales				
Metropolitan area	***	105	108	104
Allentown	***	98	97	100
Bethlehem	***	111	116	108
Easton	***	104	103	99

Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd
Residential contracts only	64.6	+31
Nonresidential contracts only	29.1	− 7

[1] Lehigh, Northampton, and Carbon Counties, Pa., and Warren County, N.J.

Scranton-Wilkes-Barre Area[1]

	Ave. mo. value 1 Q.'87	Average monthly index seas. adj. (1977 = 100) 1 Q.'87	4 Q.'86	1 Q.'86
Employment *(in thousands)*				
Employed, no. of residents				
Metropolitan area	304.9	111	111	112
Lackawanna County[2]	94.0	107	108	108
Luzerne County[3]	136.8	106	106	107
Unemployed, no. of residents				
Metropolitan area	27.2	80	77	97
Rate, seasonally adjusted	7.5			
Lackawanna County[2]	7.5	71	72	87
Luzerne County[3]	13.3	87	82	104
Civilian labor force, no. of residents				
Metropolitan area	332.1	108	108	110
Lackawanna County[2]	101.5	104	104	106
Luzerne County[3]	150.2	104	104	107
Local industries, Metropolitan area *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	277.9	109	109	107
Nonmfg. only, no. of jobs	206.6	119	119	116
Mfg. only, no. of jobs	71.2	86	87	88
Hrs. worked by production workers in mfg., *ave. weekly*	38.6	n.a.	n.a.	n.a.
Industrial electric power sales				
Metropolitan area[4]	***	104	109	102
Lackawanna County[2]	***	119	121	111
Luzerne County[3]	***	95	96	94
Hazleton	***	87	89	83
Wilkes-Barre	***	98	99	101

Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd
Residential contracts only	37.7	+ 12
Nonresidential contracts only	20.3	+164

[1] Columbia, Lackawanna, Luzerne, Monroe, and Wyoming Counties
[2] Includes Scranton
[3] Includes Wilkes-Barre and Hazleton
[4] Excludes Wyoming County

to $37.7 million. For nonresidential contracts, the increase was 164 percent to $20.3 million. There were 8,900 jobs in the construction industry during the January-March period, up from 8,200 a year ago.

The end result of first quarter economic activity was an unemployment rate of 7.5 percent, seasonally adjusted. This is up 0.2 percentage point from the previous quarter, but down 1.3 points from a year ago. However, while the jobless rate has declined over the past year, it has not been the result of any overall gains in employment. In fact, the 304,900 residents officially counted as employed in the first quarter translates into a decline of 2,400 from a year ago.

Williamsport

Economic activity in the Williamsport metropolitan area economy continued a string of impressive performances in the first quarter as broad-based gains were realized. Although job levels are down from those which prevailed throughout the 1970's, manufacturing's recent performance has been especially encouraging given the problems experienced in most other regions of the Commonwealth. The 15,500 jobs in these industries during the January-March period represent a gain of 900 compared to a year ago. Job levels have increased in three of the past four quarters after seasonal adjustment. Over the course of the 1986:IQ-1987:IQ period, durable goods industries added about 500 workers and nondurables about 400.

These gains complement nicely the continued strength coming from nonmanufacturing where job levels rose to a record high after seasonal adjustment in the first quarter, the eighth straight quarterly advance. The 32,100 positions in these establishments during 1987:IQ translate into a gain of 1,000 from a year earlier. Service-producing industries appear to be fueling the expansion as the number of payroll jobs rose 2.7 percent from the year-earlier period.

Construction is also making a contribution to the economy's overall health as job levels are on the rise. Nonresidential activity is especially strong based on trends in the value of construction contracts awarded. The $2 million in first quarter awards is nearly double the levels from a year ago. On the residential side, however, the $2.6 million in awards translates into a decline of about one-fifth on an annual basis.

Williamsport Area[1]

	Ave. mo. value 1 Q.'87	Average monthly index seas. adj. (1977 = 100) 1 Q.'87	4 Q.'86	1 Q.'86
Employment *(in thousands)*				
Employed, no. of residents	50.4	111	110	110
Unemployed, no. of residents	3.9	70	81	97
Rate, seasonally adjusted	5.8			
Civilian labor force, no. of residents	54.2	107	107	109
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	47.6	106	103	102
Nonmfg. only, no. of jobs	32.1	116	115	112
Mfg. only, no. of jobs	15.5	89	85	84
Hrs. worked by production workers in mfg., *ave. weekly*	40.5	104	102	103
Industrial electric power sales	***	84	83	87

Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd
Residential contracts only	2.6	−21
Nonresidential contracts only	2.0	+82

[1] Lycoming County

Given these, mostly positive, trends, the drop in the unemployment rate, from a seasonally adjusted 6.7 percent in last year's fourth quarter to 5.8 percent in 1987:IQ, is not surprising. A year ago, the rate was 7.9 percent. At 50,400, there are about 200 more residents officially counted as employed compared to the year-earlier period. However, employment growth does appear to have slowed following a very strong first three quarters last year. Additionally, a decline in the labor force has also contributed to the fall in unemployment over the past year.

Southwestern Quarter

Altoona

Very moderate gains were posted in the Altoona regional economy during the first quarter, but considerable room for improvement remains. After adjustment for normal seasonal variations, the unemployment rate, at 7.5 percent, fell for the fifth consecutive quarter. In the first quarter of 1986, the jobless rate was 10.4 percent. Over the 1986:IQ-1987:IQ period, employment rose by a very slight 100 to 51,100. Discounting the normal seasonal patterns which tend to depress employment levels around the first of the year shows that employment is hovering at a fairly high level. At the same time, the number of residents counted as unemployed fell by a much larger 1,800. Hence, a good deal of the recent improvement in the unemployment numbers is the result of a net outflow from the labor force.

Unlike the situation throughout most of Pennsylvania, manufacturing is holding its own in terms of jobs, albeit at a fairly low level. The 10,600 positions in the first quarter are unchanged from a year ago. Statewide, there was a 2.6 percent decline. In that the average factory workweek, at 38.8 hours, is fairly low, it is quite probable that current workers will work longer hours before any significant additional hiring occurs.

The good news continues to come from the nonmanufacturing sector. The 37,800 workers in these establishments during the January-March period compare quite favorably with the 36,600 of a year ago. Steady improvement has been shown since the back-to-back recessions of the early 1980s. Growth has been quite strong in the service-producing area where the number of jobs grew 2.7 percent compared to 1986:IQ.

Although some employment gains have been registered, construction activity was mixed in the first quarter based upon the value of contracts awarded. A 14 percent increase from last year's first quarter was turned in on the nonresidential side while contract values fell by nearly one-third for residential construction projects.

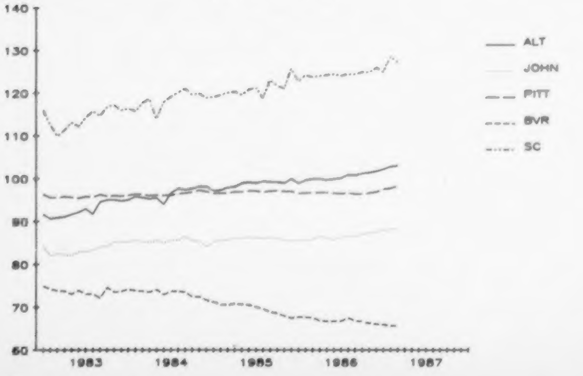
In sum, the Altoona area economy appears stuck in a slow-growth track, but it is growing. There just appears to be no likely source from which enough strength can be generated to push the economy ahead at a much faster pace.

Altoona Area[1]

	Ave. mo. value *1 Q.'87*	Average monthly index seas. adj. (1977 = 100) *1 Q.'87*	*4 Q.'86*	*1 Q.'86*
Employment *(in thousands)*				
Employed, no. of residents	51.1	102	102	102
Unemployed, no. of residents	4.9	107	110	150
Rate, seasonally adjusted	7.5			
Civilian labor force, no. of residents	56.0	103	102	106
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	48.4	98	97	96
Nonmfg. only, no. of jobs	37.8	103	102	100
Mfg. only, no. of jobs	10.6	84	82	84
Hrs. worked by production workers in mfg., *ave. weekly*	38.8	103	102	103
Industrial electric power sales	***	76	72	77
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	3.0	−32		
Nonresidential contracts only	3.2	+14		

[1] Blair County

INDUSTRY JOBS SOUTHWESTERN QUARTER
1977 = 100.



Johnstown

At best, the Johnstown regional economy turned in very modest gains in this year's first quarter as it continues struggling in adjusting to major structural changes. There was little change in the overall employment/unemployment situation.

Johnstown Area[1]

	Ave. mo. value *1 Q.'87*	Average monthly index seas. adj. (1977 = 100) *1 Q.'87*	*4 Q.'86*	*1 Q.'86*
Employment *(in thousands)*				
Employed, no. of residents	82.0	88	88	88
Unemployed, no. of residents	9.2	73	74	110
Rate, seasonally adjusted	8.5			
Civilian labor force, no. of residents	91.3	86	86	90
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	75.5	88	87	86
Nonmfg. only, no. of jobs	62.9	97	96	95
Mfg. only, no. of jobs	12.7	61	60	58
Hrs. worked by production workers in mfg., *ave. weekly*	38.2	99	99	94
Industrial electric power sales	***	172	173	158
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	5.6	−36		
Nonresidential contracts only	2.8	−87		

[1] Cambria and Somerset Counties

The jobless rate, at a seasonally adjusted 8.5 percent, was down just 0.1 percentage point from the previous quarter. Resident employment and unemployment also held fairly steady relative to 1986:IVQ. However, compared to a year ago, there was considerable movement. The jobless rate fell 3.8 percentage points over the period as the number of unemployed fell by 4,000. However, the number of residents counted as employed rose by only 400 to 82,000. Hence, much of the drop in unemployment came about as the result of a rather large decline in the labor force, which is not a sign of a strong economy.

Very minimal job gains have been realized in the manufacturing and nonmanufacturing sectors over the past several months. On the nonmanufacturing side, the 62,900 jobs which were maintained in the first quarter translate into a gain of 2.4 percent, or 1,500 from a year earlier. Statewide, the increase was 3.2 percent. As far as service-producing jobs go, the region turned in a 2.2 percent gain, well below the 2.9 percent increase for all of Pennsylvania.

Surprisingly, manufacturing job levels have held pretty steady since around 1983/1984. Unfortunately, they have stabilized at a historically low level. The 12,700 positions in these establishments represent an increase of 800 from a year ago. Comparable data go back to 1962, and until recently, job levels have never been this low. First quarter's 38.2 hour average factory workweek will probably have to rise before any significant upward pressure is put on hiring activity.

At 2,100 in the first quarter, job levels in the region's construction industry were up about 100 from 1986:IQ. However, the value of both residential and nonresidential construction contracts were off considerably from a year ago.

Pittsburgh[1]-Beaver Valley[2] Area

	Ave. mo. value *1 Q.'87*	Average monthly index seas. adj. (1977 = 100) *1 Q.'87*	*4 Q.'86*	*1 Q.'86*
Employment *(in thousands)*				
Employed, no. of residents				
Pittsburgh[1]	851.8	101	100	101
Beaver County	54.2	65	66	67
Unemployed, no. of residents				
Pittsburgh[1]	73.8	108	108	129
Beaver County	6.7	101	105	154
Unemployment Rate, seas. adj.				
Pittsburgh[1]	7.2			
Beaver County	10.5			
Civilian labor force, no. of residents				
Pittsburgh[1]	925.6	102	101	103
Beaver County	60.9	68	69	74
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs				
Pittsburgh[1]	836.3	98	97	97
Beaver County	49.8	66	66	68
Nonmfg. only, no. of jobs				
Pittsburgh[1]	710.4	112	110	109
Beaver County	39.6	106	106	105
Mfg. only, no. of jobs				
Pittsburgh[1]	124.6	57	57	61
Beaver County	9.6	26	26	31
Hrs. worked by production workers in mfg., *ave. weekly*				
Pittsburgh[1]	41.0	n.a.	n.a.	n.a.
Beaver County	41.6	n.a.	n.a.	n.a.
Industrial electric power sales	***	50	54	63
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only				
Pittsburgh[1]	78.8	−20		
Beaver County	2.3	−43		
Nonresidential contracts only				
Pittsburgh[1]	152.3	+25		
Beaver County	0.8	++		

[1] Allegheny, Fayette, Washington and Westmoreland Counties
[2] Beaver County

Pittsburgh-Beaver Valley

The economy of the Pittsburgh-Beaver Valley metropolitan area continued on the long road back from the back-to-back recessions of the early 1980s during this year's first quarter. Unfortunately, the expansion has been very slow and uneven. Although Beaver County's unemployment rate during the January-March period, at 10.5 percent, seasonally adjusted, was down 4.5 percentage points from a year ago, the drop was solely the result of a net outflow from the labor force. Employment actually fell over the period. Additionally, the jobless rate is the highest among the State's 15 metropolitan areas. The unemployment rate is also falling in the four-county Pittsburgh area. At a seasonally adjusted 7.2 percent for the first quarter, the rate was down 0.1 percentage point from the previous quarter and 1.3 points from a year ago. Although employment in the region has been increasing slightly, a good deal of the drop in the unemployment rate is attributable to declines in the labor force, which is not a sign of a healthy economy.

The source of the overall economic sluggishness in the region may be traced to the manufacturing sector. Job levels in these establishments continue on a downward trend and stand at all-time lows. No rebound is yet in sight, but the best that can probably be hoped for is a cessation of job losses rather than any net gains.

On the bright side, given the relatively long average factory workweeks, 41 hours in Pittsburgh and 41.6 hours in Beaver County, should any increase in production occur, additional workers may be hired.

Luckily, nonmanufacturing job gains continue to offset at least some of manufacturing's losses. In fact, in the Pittsburgh region, 19,100 jobs were added in these establishments over the 1986:IQ-1987:IQ period, settling at 710,400. After adjusting for seasonality, this represents an all-time high. Nonmanufacturing job levels are also on the rise in Beaver County, although the gains have not been as pronounced as elsewhere. The 39,600 positions in these establishments fall short of pre-recessionary levels. Within nonmanufacturing, the service-producing industries are showing some gains, but not to the same degree as in the State as a whole. In Pittsburgh, there was a 2.2 percent year-to-date service-producing job gain, while in Beaver County, a 0.4 percent increase was turned in.

On the construction front, nonresidential activity appears to be up based on the value of contracts awarded in the first quarter. However, just the opposite is true for residential construction. For the first quarter, construction employment in the Pittsburgh region was up 14.7 percent from a year ago to 37,000.

State College Area[1]

	Ave. mo. value 1 Q.'87	Average monthly index seas. adj. (1977 = 100) 1 Q.'87	4 Q.'86	1 Q.'86
Employment *(in thousands)*				
Employed, no. of residents	52.7	129	127	128
Unemployed, no. of residents	3.1	105	113	139
Rate, seasonally adjusted	4.9			
Civilian labor force, no. of residents	55.8	127	126	129
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	51.0	127	126	124
Nonmfg. only, no. of jobs	43.7	130	128	125
Mfg. only, no. of jobs	7.3	113	111	119
Hrs. worked by production workers in mfg., *ave. weekly*	39.5	n.a.	n.a.	n.a.
Industrial electric power sales	***	108	115	105
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	14.4	+13		
Nonresidential contracts only	8.3	−36		

[1] Centre County

State College

Based on first quarter trends, economic activity in the State College region appears to have reached a rather lofty plateau. Nonagricultural job levels rose once again as both the manufacturing and nonmanufacturing sectors made contributions. As is the case throughout much of the Commonwealth, the bulk of all new jobs are being generated in the nonmanufacturing sector. The 43,700 positions in these establishments during the January-March period translates into a gain of 1,600 from a year ago. After discounting for seasonality, first quarter job levels represent a record high. An especially strong performance has been turned in by the service-producing industries.

The construction industry has also contributed to nonmanufacturing's overall health. First quarter job levels, at 1,500, were up by about 100 from 1986:IQ. On the residential side, the value of contracts awarded in the first quarter was up 13 percent compared to the same period a year ago. Surprisingly, nonresidential contract values were down by more than one-third.

Although they are certainly not booming, the region's manufacturers are holding their own. The 7,300 manufacturing jobs in the first quarter were off by 300 from a year ago, but they were up by 200 from the previous quarter. These industries just don't appear to be holding the economy back to the same degree as in the State as a whole.

The economy's strength is reflected in a seasonally adjusted 4.9 percent jobless rate for the first quarter. This is down 1.5 percentage points from a year ago. Employment gains continue to be recorded, but the increases are slowing. The 52,700 residents counted as employed in the first quarter represent a gain of 0.4 percent from a year ago. For 1986 as a whole, the increase was 4.7 percent. One sore spot is found in the labor force, which was down from a year ago. However, the general trend in the labor force is up, so this is probably not the start of a trend.

Northwestern Quarter

Erie

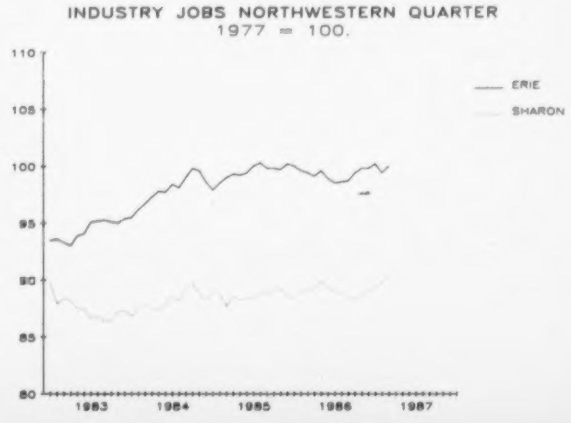
Based upon trends in 1987's first quarter, the Erie regional economy appears to be spinning its wheels, although talk of an impending downturn is probably premature. One bright spot appears to be construction, as the value of contracts for residential projects rose 24 percent compared to the first quarter of 1986 to $11.3 million. On the nonresidential side, the $18.5 million in contracts represents a gain of 176 percent from a year ago.

All told, there were 73,600 positions in the region's nonmanufacturing establishments for a 2.1 percent gain compared to a year ago. In Pennsylvania as a whole, a 3.2 percent gain was registered. Still, after adjusting for normal seasonal trends which occur year-after-year, record numbers of people are holding jobs in the Erie area nonmanufacturing sector. In the region's two largest nonmanufacturing industries, services and trade, job gains of 3.8 and 0.7 percent were realized in the first quarter relative to a year ago.

Unfortunately, the signals coming from manufacturing cloud the overall economic picture. The 34,300 jobs in these establishments fall 1,300 short of year-ago levels, as the strike at Kaiser Aluminum depressed job numbers. In fact, after adjusting for seasonality, manufacturing job levels were very close to an all-time low in this year's first quarter. Durable goods industries have accounted for the bulk of the job losses.

Despite these difficulties on the job front, production in the region's manufacturing establishments has probably at least held steady as of late. There has been an upward trend in electricity sales to industry, which is a good barometer of industrial production, since 1983. Furthermore, in that the average factory workweek stood at 41.6 hours, the second highest among the State's 15 metropolitan areas, any further significant increases in production may result in a rise in hiring activity.

Unemployment remains a problem in the region. At a seasonally adjusted 7.9 percent, the unemployment rate was unchanged from the previous quarter and down 0.4 point from a year ago. At the same time, however, resident employment has been on the decline. The 113,200 residents counted as employed in the first quarter represents a fall of 2,300 from a year ago. Hence, a good deal of the decline in unemploy-



Erie Area[1]

	Ave. mo. value 1 Q.'87	Average monthly index seas. adj. (1977 = 100) 1 Q.'87	4 Q.'86	1 Q.'86
Employment *(in thousands)*				
Employed, no. of residents	113.2	105	105	107
Unemployed, no. of residents	10.6	108	110	118
Rate, seasonally adjusted	7.9			
Civilian labor force, no. of residents	123.9	105	105	108
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	108.1	100	100	100
Nonmfg. only, no. of jobs	73.6	112	111	110
Mfg. only, no. of jobs	34.3	80	81	84
Hrs. worked by production workers in mfg., *ave. weekly*	41.6	102	101	102
Industrial electric power sales	***	100	99	101
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	11.3	+ 24		
Nonresidential contracts only	18.5	+ 176		

[1] Erie County

ment over the past year is attributable to a shrinking labor force as opposed to any significant gains in employment.

Sharon

There were some positive developments in the Sharon regional economy during this year's first quarter, but, for the most part, the economy has a good deal to go before prerecessionary levels of economic activity are reached. At a seasonally adjusted 8 percent during the January-March period, the unemployment rate was down 0.2 percentage point from the previous quarter and 0.7 point from a year ago. However, although it did rise slightly after seasonal adjustment from last year's fourth quarter, resident employment was down from a year ago. At 43,500, the number of residents officially counted as employed was off by 300 from the first quarter of 1986. Furthermore, the downward trend in the labor force is not indicative of an especially strong economy.

As has been the case as of late, the economy's problems, at least on the job front, are the result of weakness in manufacturing. The recovery following the back-to-back recessions of the early 1980s was only temporary as manufacturing job levels have declined steadily from late 1984. The 8,900 positions in these establishments during 1987:IQ are down by 800 from the same period in 1986. Seasonally adjusted job levels stood at a record low during the January-March period.

Activity in the nonmanufacturing sector continues to grow as seasonally adjusted job levels rose for the 11*th* consecutive quarter to stand at a record high. The 30,800 nonmanufacturing jobs in the first quarter represent a gain of 1,200 from a year ago. Over the course of the year, job gains in the two largest nonmanufacturing industries, services and trade, amounted to 800 and 600, respectively.

Based on recent job trends, construction activity in the region is up. At 1,000, the number of construction jobs in the first quarter stood 300 higher than a year ago. However, the value of construction contracts awarded was down over the same period. On the residential side, the drop came to 61 percent, while on the nonresidential side, it was 81 percent.

Sharon Area[1]

	Ave. mo. value 1 Q.'87	Average monthly index seas. adj. (1977 = 100) 1 Q.'87	4 Q.'86	1 Q.'86
Employment *(in thousands)*				
Employed, no. of residents	43.5	94	92	94
Unemployed, no. of residents	4.4	99	99	106
Rate, seasonally adjusted	8.0			
Civilian labor force, no. of residents	47.8	94	93	95
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	39.7	90	89	89
Nonmfg. only, no. of jobs	30.8	109	107	105
Mfg. only, no. of jobs	8.9	55	55	60
Hrs. worked by production workers in mfg., *ave. weekly*	40.2	n.a.	n.a.	n.a.
Industrial electric power sales	***	94	105	97
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	1.3	−61		
Nonresidential contracts only	1.5	−81		

[1] Mercer County

Southeastern Quarter

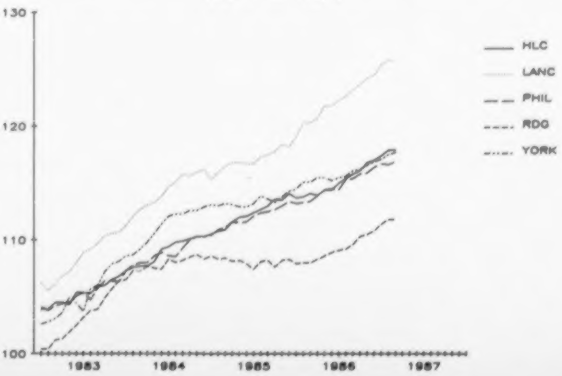
Harrisburg-Lebanon-Carlisle

One is hard-pressed to find much cause for concern in the Harrisburg-Lebanon-Carlisle economy as another solid performance was turned in during this year's first quarter. At a seasonally adjusted 3.2 percent, the region maintained the second lowest jobless rate among the State's 15 metropolitan areas. Employment rose by 6,800 residents from 1986:IQ to stand at 286,100. This gain was strong enough to reduce the number of unemployed by 5,700 and absorb an increase in the labor force of 1,100 residents.

The news coming from nonmanufacturing continues to be encouraging. These establishments accounted for 234,600 jobs in the first quarter, up 9,500 from a year ago. After adjusting for seasonality, nonmanufacturing job levels have risen almost continuously since 1983 after holding fairly steady through the back-to-back recessions of the early 1980s. Service-producing industries have made great strides. Over the course of the 1986:IQ-1987:IQ period, these industries realized a 3.8 percent job gain.

Even on the manufacturing side, the job picture does not

INDUSTRY JOBS SOUTHEASTERN QUARTER
1977 = 100.



appear to be as discouraging as in the Commonwealth as a whole. The 50,700 jobs in these establishments during the first quarter are unchanged from a year ago. After seasonal adjustment, job levels have increased slightly in each of the past three quarters. The food products industry continues doing well as the number of positions averaged 11,400 over the January-March period. During last year's first quarter, the comparable figure was 11,200. Still, the manufacturing sector is far from booming. Although job levels are holding fairly steady, they fall well short of pre-recessionary readings.

Construction activity in the region remains quite healthy. There were 10,600 jobs in the first quarter of 1987 compared to 9,200 during the same period in 1986. At $40.8 million, contract values for residential projects were unchanged from a year ago while nonresidential contracts, at $185.3 million, were up more than 400 percent in value.

Lancaster

Broad-based gains were realized in the Lancaster regional economy during this year's first quarter. While much of the rest of the State continues to suffer manufacturing job declines, Lancaster manufacturers realized their sixth consecutive quarterly job gain after seasonal adjustment. All told, the 59,200 positions in these establishments during the January-March period were up by 2,000 from a year earlier. Surprisingly, much of the gain is occurring in the durable goods industries where job levels were up 4.2 percent from a year ago. Nondurable goods jobs were up 2.5 percent over the same period.

The bulk of all job gains continue to come from the nonmanufacturing sector. There were 6,000 more positions in these establishments in this year's first quarter relative to the same period in 1986 as job levels settled at 115,000. After adjustment for normal seasonal variations, there were a record number of nonmanufacturing jobs in the first quarter. The largest industry, trade, realized a 3.8 percent job gain on an annual basis during the three-month period.

Gains are also being realized on the construction front. Nonresidential contract awards more than doubled in value compared to a year ago in reaching $18.9 million. Residential awards, at $42 million, were up 13 percent. Construction jobs totalled 9,200 for the quarter, up 1,100 from a year earlier.

Harrisburg-Lebanon-Carlisle Area[1]

	Ave. mo. value 1 Q.'87	Average monthly index seas. adj. (1977 = 100) 1 Q.'87	4 Q.'86	1 Q.'86
Employment *(in thousands)*				
Employed, no. of residents	286.1	117	114	114
Unemployed, no. of residents	11.6	65	74	102
Rate, seasonally adjusted	3.2			
Civilian labor force, no. of residents	297.7	114	112	113
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	285.3	118	117	114
Nonmfg. only, no. of jobs	234.6	125	123	120
Mfg. only, no. of jobs	50.7	94	93	94
Hrs. worked by production workers in mfg., *ave. weekly*	39.8	n.a.	n.a.	n.a.
Industrial electric power sales	***	77	72	66
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	40.8	0		
Nonresidential contracts only	185.3	+416		

[1] Cumberland, Dauphin, Lebanon, and Perry Counties

Lancaster Area[1]

	Ave. mo. value 1 Q.'87	Average monthly index seas. adj. (1977 = 100) 1 Q.'87	4 Q.'86	1 Q.'86
Employment *(in thousands)*				
Employed, no. of residents	196.4	129	128	126
Unemployed, no. of residents	5.7	58	71	92
Rate, seasonally adjusted	2.3			
Civilian labor force, no. of residents	202.2	125	125	124
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	174.3	126	124	120
Nonmfg. only, no. of jobs	115.0	139	137	132
Mfg. only, no. of jobs	59.2	106	105	102
Hrs. worked by production workers in mfg., *ave. weekly*	40.3	102	102	100
Industrial electric power sales	***	128	134	126
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	42.0	+ 13		
Nonresidential contracts only	18.9	+ 105		

[1] Lancaster County

All of this good news is reflected in the lowest unemployment rate in the Commonwealth, 2.3 percent after seasonal adjustment. This is down from 3.7 percent a year ago. Employment grew by 4,300 residents over the same period, reaching a total of 196,400. After these numbers are discounted for seasonality, a record level of employment was maintained in the first quarter, the seventh time in the last eight quarters this has happened.

Philadelphia

Economic activity continued at a high pace during this year's first quarter in the Philadelphia region. Although no new growth spurt appears in sight, there is also nothing pending that is expected to knock the economy from its high perch, either. Construction is certainly a strong point in the regional economy. Residential contracts awarded in the first quarter were up 50 percent compared to the first three months of 1986 and a 32 percent gain was turned in on the nonresidential side. Also, at 91,500, there were 13,100 more construction jobs than a year ago.

In nonmanufacturing as a whole, job levels continued on an upward track. The more than 1.7 million positions represent a gain of 4.2 percent from 1986:IQ. Statewide, the increase was 3.2 percent. Job levels in these industries have increased almost nonstop for the past four years. Service-producing industries maintained 3.6 percent more positions than in the year-earlier period. In Pennsylvania as a whole, the gain came to 2.9 percent.

What problems there are in the economy can be found in the manufacturing sector. About 8,100 jobs were lost between the first quarter of 1986 and the same period in 1987, leaving job levels at 377,700. After seasonal adjustment, first quarter job levels represent an all-time low. The two largest manufacturing industries, nonelectrical machinery and electronic equipment, lost 5.4 and 4.9 percent of their jobs com-

Philadelphia Area[1]

	Ave. mo. value *1 Q.'87*	Average monthly index seas. adj. (1977 = 100) *1 Q.'87*	*4 Q.'86*	*1 Q.'86*
Employment *(in thousands)*				
Employed, no. of residents	2213.3	119	119	118
Unemployed, no. of residents	111.9	61	62	74
Rate, seasonally adjusted	4.6			
Civilian labor force, no. of residents	2325.2	114	114	114
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	2111.6	117	116	113
Nonmfg. only, no. of jobs	1732.7	127	126	122
Mfg. only, no. of jobs	377.7	85	85	87
Hrs. worked by production workers in mfg., *ave. weekly*	40.7	103	102	101
Industrial electric power sales	***	100	100	101
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	424.8	+50		
Nonresidential contracts only	403.7	+32		

[1] Bucks, Chester, Delaware, Montgomery, and Philadelphia Counties, Pa., and Burlington, Camden, and Gloucester Counties, N.J.

pared to last year's first quarter, respectively. However, industrial power sales are holding fairly steady at a relatively high level, which suggests that production is holding its own.

At a seasonally adjusted 4.6 percent, the region's unemployment rate stands well below the readings for both the State and the nation. The jobless rate is a full percentage point below levels from a year ago. A strong showing on the employment front has helped drive unemployment down. More than 2.2 million residents were employed in the first quarter, up by 24,100 from a year ago. This pushed down the number of unemployed by 23,200 and paved the way for the net inflow of about 900 residents into the labor force.

Reading

Although there are a few question marks, for the most part, economic conditions in the Reading metropolitan area appear to be quite favorable based on first quarter activity. There were 1,700 more residents counted as employed in this year's first quarter relative to a year ago. All told, employment grew to 156,100. After discounting normal seasonal trends, first quarter employment was at an all-time high. This helped push the unemployment rate down to 4.6 percent, seasonally adjusted. A year ago, the rate was 7.2 percent, while in the previous quarter, it was 5.1 percent. However, on the negative side, sluggish growth in the labor force has contributed to recent declines in unemployment. Still, the long-run trend in the labor force appears to be up.

Manufacturing job levels appear to be holding steady. Compared to a year ago, the 48,300 positions in 1987:IQ represent a gain of 100 jobs. This is somewhat encouraging given the sharp declines in the State as a whole. In the region's largest manufacturing industry, electronic equipment, job levels held steady between the first quarter of 1986 and the same period in 1987. Nondurable goods manufacturers seem to be turning in the best performance as 400 jobs were added in these industries over the same period.

While manufacturers as a whole are just holding their own, the region's nonmanufacturers continue adding workers. The 96,900 workers in these establishments during the first quarter represent a gain of 4,800 from a year ago. After seasonal adjustment, nonmanufacturing job levels currently stand at a record high as they have increased almost nonstop since 1983. The largest nonmanufacturing industry, trade, added 1,300 positions over the year, while the services industry added an additional 1,300 workers.

On the construction front, while job levels appear to be up, the value of contracts awarded in the first quarter was down from a year ago. Residential contracts were valued at $20.5 million, down 6 percent, while nonresidential awards were off 89 percent to $3.9 million.

Reading Area[1]

	Ave. mo. value *1 Q.'87*	Average monthly index seas. adj. (1977 = 100) *1 Q.'87*	*4 Q.'86*	*1 Q.'86*
Employment *(in thousands)*				
Employed, no. of residents	156.1	117	117	116
Unemployed, no. of residents	8.5	84	93	134
Rate, seasonally adjusted	4.6			
Civilian labor force, no. of residents	164.6	115	115	117
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	145.2	112	110	108
Nonmfg. only, no. of jobs	96.9	122	121	116
Mfg. only, no. of jobs	48.3	95	94	95
Hrs. worked by production workers in mfg., *ave. weekly*	41.0	105	105	102
Industrial electric power sales	***	129	130	126
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	20.5	− 6		
Nonresidential contracts only	3.9	−89		

[1] Berks County

York

For the most part, things were looking up for the York regional economy during this year's first quarter. Total nonagricultural jobs rose on the strength of further gains in nonmanufacturing employment. The number of positions in these establishments rose to another record high after discounting for normal seasonal variations. The 107,300 nonmanufacturing jobs maintained during the January-March

York Area[1]

	Ave. mo. value *1 Q.'87*	Average monthly index seas. adj. (1977 = 100) *1 Q.'87*	*4 Q.'86*	*1 Q.'86*
Employment *(in thousands)*				
Employed, no. of residents	190.8	127	126	127
Unemployed, no. of residents	8.6	74	94	116
Rate, seasonally adjusted	3.6			
Civilian labor force, no. of residents	199.4	124	124	126
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	164.4	117	117	115
Nonmfg. only, no. of jobs	107.3	133	131	127
Mfg. only, no. of jobs	57.0	96	96	98
Hrs. worked by production workers in mfg., *ave. weekly*	42.2	103	101	102
Industrial electric power sales	***	113	114	108
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	28.3	+25		
Nonresidential contracts only	14.1	−44		

[1] Adams and York Counties

period compares quite favorably with the 102,900 from a year earlier. Over the same period, service-producing job levels rose from 95,300 to 98,900 in leading the way.

Construction also appears to be turning in a solid performance as of late. About 800 jobs were added over the year ending with the first quarter, leaving the number of positions at 8,000. Over the same period, residential construction contracts were up one-fourth in value to $28.3 million. Nonresidential contract values, on the other hand, were down 44 percent to $14.1 million.

Although jobs rose slightly on a seasonally adjusted basis with respect to last year's final quarter, the region's manufacturers are having their fair share of problems. The 57,000 establishment-related jobs in this sector during the first quarter were down by 700 from 1986:IQ. Still, the problems facing these industries in the region do not appear to be quite as severe as those in other areas of the Commonwealth. Relative to 1983:IQ, which is just about the time the recession was bottoming out, manufacturing jobs in the York region are up 4.8 percent. Statewide, a 4.4 percent loss occurred.

Electricity sales to industry, a good indicator of production trends, are on an upward track despite a very slight fall from the fourth quarter of 1986 which suggests that recent job losses may have exaggerated the true problems facing the sector. Additionally, in that the average factory workweek stands at 42.2 hours, the highest among the State's 15 metropolitan areas, any additional gains in production will probably put some upward pressure on hiring activity in the manufacturing sector.

Given all of this good news, the region was able to maintain an unemployment rate of 3.6 percent, seasonally adjusted, in the first quarter. This is the third lowest reading among the State's 15 metropolitan regions and is down two full percentage points from a year ago. However, some of the decline is the result of a net outflow from the labor force. On the employment front, there was just a slight gain of 200 to 190,800 in resident employment from 1986:IQ as the gains seem to have slowed following a very strong 1986.

— William D. Anderson

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PENNSYLVANIA BUSINESS SURVEY

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ECONOMIC SITUATION REMAINS UNCHANGED IN APRIL

April brought with it no clear signals of any deviation from recent economic trends in Pennsylvania. Hence, **as has been the case for the past several months, a number of adjectives may be used to describe economic growth in the Commonwealth: modest, moderate, sluggish, muddling, slow, etc.** However, it should be pointed out that opinions do differ concerning the economy's strength. Analysts focusing on southeastern Pennsylvania or on job trends in nonmanufacturing establishments are probably quite encouraged. Just the opposite is probably true for those examining the situation throughout much of the rest of the Commonwealth or the job picture in manufacturing.

Furthermore, differing results may also be arrived at using different sets of data. For instance, two different measures of job and employment trends, each using a different sample, are often cited, one based on a sample of nonagricultural establishments and one based on a sample of residents. The nonagricultural data show a 2 percent job gain in these establishments in Pennsylvania during the first four months of this year. The resident survey shows a decline of 0.2 percent in the number of Pennsylvanians counted as employed. In sum, it appears that the positives slightly outweigh the negatives, resulting in an economy moving forward, but at a pace that is somewhat less than satisfactory.

This is essentially the same scenario which is transpiring at the national level. Assuming this trend continues in the U.S. as a whole, **it is quite unlikely that Pennsylvania economic conditions will improve considerably anytime soon** given that the Commonwealth is heavily influenced by economic trends in the nation.

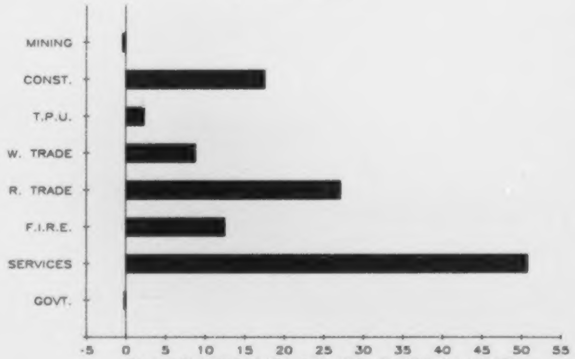
Job trends in Pennsylvania remained unchanged during April as most service-producing and construction industries continued adding workers and in many cases, operated with a record high number of employees. On the other hand, the job situation in manufacturing remains worrisome.

Within the nonmanufacturing sector, **the service-producing industries have been generating a significant amount of jobs as of late.** Especially encouraging performances have been turned in by the services, trade, and finance-related industries. **Services establishments added more than 50,000 jobs during the first four months of this year compared to a year ago** (see chart). Job levels in this industry have advanced to a new record in each of the past 28 months after adjustment for normal seasonal trends, including a seasonally adjusted gain of 11,000 in April to 1.26 million.

Although wholesale trade job levels dipped slightly during April, **the trade industries in Pennsylvania, both wholesale and retail, have contributed greatly to overall job growth in the Commonwealth.** The monthly decline in wholesale trade jobs was the first since June 1986 and only the second since November 1985 after normal seasonal trends are discounted. The 266,900 workers in these industries translate into the third highest level on record, trailing only March's 268,000 and February's 267,300.

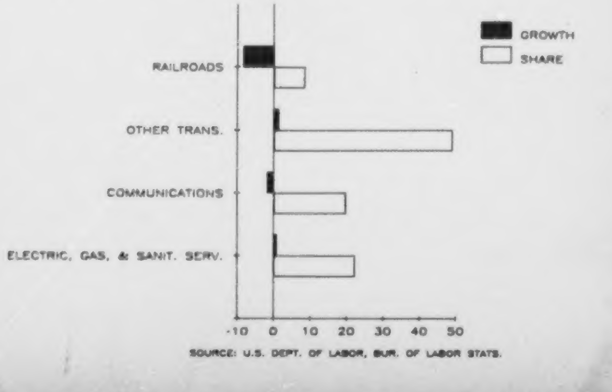
The situation is even more encouraging in the retail trade area where a seasonally adjusted 858,400 jobs were maintained in April, up 2,800 from the previous month. Employ-

PA NONMANUFACTURING JOB GROWTH BY INDUSTRY, 1986 YTD-1987 YTD
(thousands)



SOURCE: PA OFFICE OF EMP. SEC., DEPT. OF LABOR AND INDUSTRY

TRANS. AND PUBLIC UTILITIES INDUSTRIES IN PA: 1985-1986 JOB GROWTH AND 1986 JOB SHARES
(percent)



SOURCE: U.S. DEPT. OF LABOR, BUR. OF LABOR STATS.

ment in this industry has increased nonstop since February 1986 and has remained at an all-time high since May of last year.

In the finance, insurance, and real estate category, there were 12,550 more jobs during this year's first four months compared to the same period in 1986. Job levels have increased for 27 consecutive months, including a seasonally adjusted gain of 1,400 in April to 286,500, a record high.

One exception to this rather encouraging overview of the service-producing sector is found in the transportation and public utilities industries where minimal job gains have been recorded so far this year. (The accompanying chart provides an overview of the industries which make up this category.)

Elsewhere in nonmanufacturing, **the job picture in construction remains bright.** At a seasonally adjusted 219,700, there were a record number of constructon jobs in April in Pennsylvania. The total for March was 211,800. Construction activity normally picks up in the warm-weather months. In fact, there are usually about 15,500 jobs added in the industry during April as a result of these seasonal trends. This past April, 23,400 jobs were added, resulting in the seasonally adjusted gain of 7,900.

However, **recent behavior in the value of construction contracts awarded has been relatively sluggish.** So far this year, awards are up 5.3 percent compared to a year ago. During the same period in 1986, the annual gain was 42.9

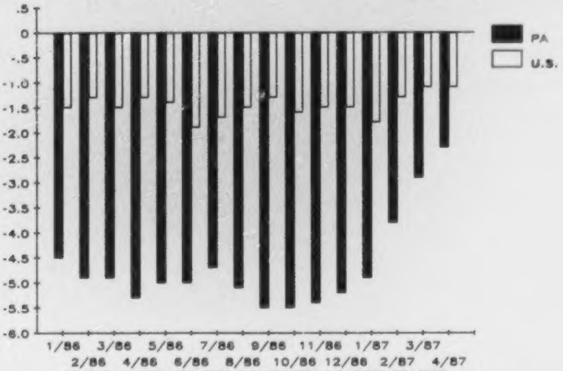
Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1987		1986	1987		1986	1987		1986
	Mar.	*Apr.*	*Apr.*	*Mar.*	*Apr.*	*Apr.*	*Mar.*	*Apr.*	*Apr.*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	4,807	4,880	4,775	4,866	4,883	4,778	106.6	107.0	104.6
Nonmanufacturing									
No. of wage and salary jobs (thous.)	3,774	3,843	3,720	3,828	3,845	3,723	118.8	119.3	115.5
Mining	31*	32	34	32*	32	34	66.9*	66.2	71.4
Contract construction	188	212	193	212	220	201	115.1	119.4	109.4
Transportation	137	138	139	138	137	138	86.0	85.1	86.0
Public Utilities	104	105	101	105	105	101	104.0	104.7	100.7
Wholesale trade	266	266	258	268	267	259	120.9	120.4	116.6
Retail trade	834	848	818	856	858	828	119.3	119.7	115.5
Finance, insurance & real estate	282	285	273	285	287	275	131.1	131.7	126.2
Service & miscellaneous	1,240	1,264	1,212	1,248	1,259	1,207	144.7	145.9	139.9
Federal government	139	139	140	139	139	140	108.2	108.4	109.0
State & local government	553	554	552	544	544	541	93.3	93.3	92.9
Manufacturing									
No. of wage and salary jobs (thous.)	1,032	1,036	1,052	1,038	1,038	1,055	77.4	77.4	78.6
Durable goods	584	588	602	588	588	602	72.7	72.6	74.3
Nondurable goods	448	448	451	450	450	453	84.5	84.6	85.1
Ave. wkly. hrs. worked by prod. workers	40.6	40.0	39.9	40.5	40.2	40.1	102.6	101.8	101.5
Total wkly. person-hours worked (mils.)	28.3*	28.1	28.5	28.5*	28.3	28.7	74.2*	73.8	74.6
Total wkly. payroll (mil. dols.)	279.0*	278.9	276.5	280.4*	280.5	278.1	124.8*	124.9	123.8
Steel production (thous. tons)	895	1,033	1,067	n.a.	n.a.	n.a.	34.2	40.0	41.6
Industrial electric power sales (mil. kwh)	3,534	3,453	3,433	3,471	3,457	3,443	94.0	93.6	93.2
Mining									
Anthracite coal (thous. net tons)	389	363	300	421	458	383	86.3	93.9	78.5
Bituminous coal (thous. net tons)	5,233	n.a.	5,350†	5,017	n.a.	5,130†	71.1	n.a.	72.7†
Construction contracts awarded (mil. dols.)									
Total	1090.6	722.3	893.0*	1138.8	598.5	732.9*	354.0	186.0	240.4*
Residential building	363.9	320.1	420.0*	365.0	245.8	336.2*	259.3	174.7	238.9*
Nonresidential building	475.1	229.5	232.4*	548.2	225.9	226.7*	505.3	208.2	209.0*
Nonbuilding (utilities and public works)	251.6	172.7	240.6*	225.6	126.8	170.0*	311.3	126.8	234.4*
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,106	5,164	5,214	5,199	5,236	5,294	108.2	109.0	110.2
Unemployed									
No. of persons (thous.)	340	295	393	325	306	404	81.0	76.3	100.7
Rate (percentage of labor force)	6.2	5.4	7.0						
Rate, seasonally adjusted				5.9	5.5	7.1			
Civilian labor force, no. of persons (thous.)	5,446	5,459	5,607	5,524	5,542	5,698	106.1	106.4	109.4
Initial claims for unemployment benefits	81,084	92,138	107,352	97,327	98,661	113,213	68.0	68.9	79.1

Consumer Prices, all items	Urban Indexes (1967 = 100)			Percentage Change	
	1987		1986		
	Mar.	*Apr.*	*Apr.*	*Month Ago*	*Year Ago*
U.S. city average	335.9	337.7	325.3	+0.5	+3.8
Philadelphia	329.4	333.8	317.8	+1.3	+5.0
Pittsburgh	n.a.	338.2	328.1	n.a.	+3.1

[1] Total includes workers on strike. * = figure revised † = figure for March 1986 n.a. = data not available

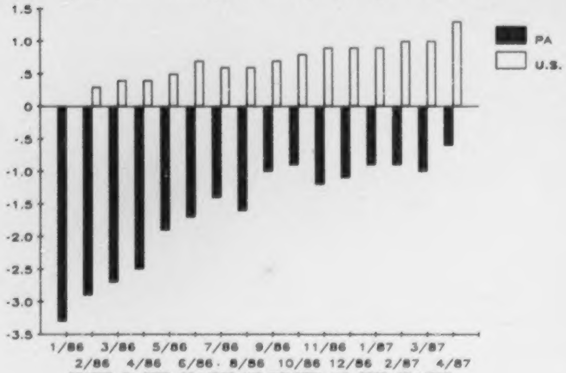
SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

PA AND U.S. DURABLE GOODS JOB GROWTH
(percent change from year-ago month)



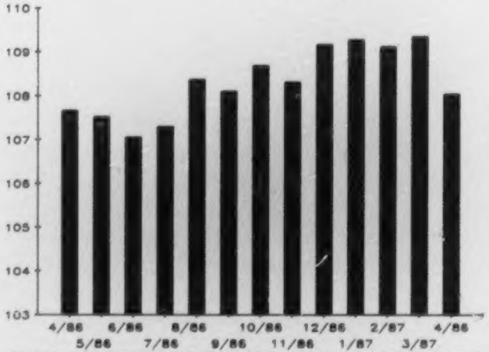
SOURCE: PA DEPT. OF LABOR AND INDUSTRY; U.S. DEPT. OF LABOR

PA AND U.S. NONDURABLE GOODS JOB GROWTH
(percent change from year-ago month)



SOURCE: PA DEPT. OF LABOR AND INDUSTRY; U.S. DEPT. OF LABOR

PENNSYLVANIA COMPOSITE INDEX
OF LEADING INDICATORS
(Jan 1972=100)



SOURCE: THE PENNSYLVANIA STATE UNIVERSITY, COLLEGE OF BUSINESS ADMINISTRATION

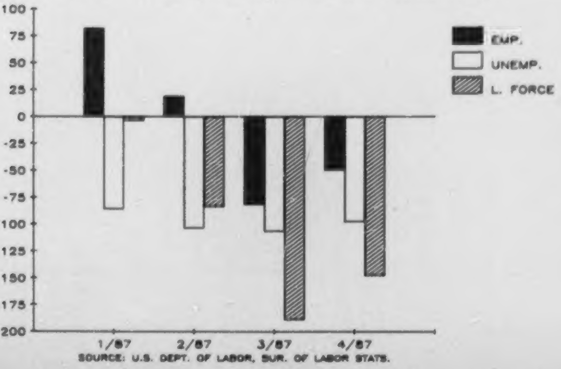
percent. Much of the growth that has occurred so far this year has been in the nonresidential building category where awards are up by more than one-quarter in value. Contract values for residential projects are up less than 2 percent while those for nonbuilding projects are down 12.5 percent.

Some analysts contend that too much attention is given to the manufacturing sector in Pennsylvania when analyzing economic conditions in the Commonwealth. **While it may be true that the State is becoming more and more dependent on nonmanufacturing for new jobs, the fact remains that, in relative terms, manufacturing industries are more important to the health of the Pennsylvania economy than to the U.S. as a whole.** Certainly, some of the problems facing the manufacturing sector are beyond the control of individual states, such as the problems associated with intense competition from abroad, but a disturbing trend remains which shows that the manufacturing job situation is worse in Pennsylvania than in the nation.

As shown in the accompanying charts, **job losses in Pennsylvania's durable goods manufacturing establishments have been more than twice as large as in the nation for the past several months. On the nondurables side, while the U.S. has been showing slight job gains, Pennsylvania has shown consistent losses.**

At a seasonally adjusted 1.04 million, the number of manufacturing jobs in April remained unchanged from the previous month. The trend in manufacturing jobs, though, is still definitely downward. Other indicators of manufacturing's health such as the average factory workweek, total hours worked, total payrolls, and electricity sales to industry held fairly steady within narrow ranges. Steel production rose again, probably as a result of increased activity on the part of USX in the aftermath of their labor agreement.

PA EMPLOYMENT, UNEMPLOYMENT,
AND LABOR FORCE GROWTH
(change from year-ago month; thousands)



SOURCE: U.S. DEPT. OF LABOR, BUR. OF LABOR STATS.

There was some welcome news on the employment and unemployment front during April. **Employment rose for only the third time in the past eight months and the labor force rose for only the second time over the same period.** Still, the improvements were very slight, especially in light of the error ranges associated with the data. The jobless rate fell from 5.9 to 5.5 percent, seasonally adjusted.

The accompanying chart shows that a good deal of the improvement in the unemployment situation in Pennsylvania as of late is the result of declines in the labor force. In fact, **although unemployment was down, employment of Pennsylvania residents in March and April fell below year-ago levels. Clearly, the decline in the jobless rate so far this year is not the result of an especially strong employment picture.**

There was a strong decline of 1.3 percent in the Pennsylvania index of leading indicators in April. The decline was heavily influenced by a steep drop of 47 percent in the value of construction contract awards. The two remaining components of the index, the average factory workweek and initial claims for unemployment benefits, worsened only slightly. Additionally, the index of coincident indicators, which measures the trend in current economic activity, fell for the third consecutive month.

— *William D. Anderson*

A Note of Thanks

Many individuals and organizations outside of The Pennsylvania State University make significant contributions to the success of the *Pennsylvania Business Survey.* Without their cooperation, publication of the *Survey* would be much less timely and the analyses would be severely limited.

Pennsylvania's Department of Environmental Resources and the U.S. Department of Energy supply the data on coal output in the Commonwealth. The American Iron and Steel Institute provides information on steel production. The importance of the mining and steel industries to the Pennsylvania economy are well-documented. The data supplied by these organizations allow us to examine and interpret trends in these industries.

Electricity consumption on the part of industry in Pennsylvania provides an indication of production trends in the Commonwealth and plays a major role in our evaluation of overall economic trends. Without the help of several utilities across the State who supply us with data concerning their sales of electricity to industrial customers, this important part of our evaluation would not otherwise be available.

Because of the importance of employment and job trends in interpreting economic conditions at the State and local levels, the cooperation of the Philadelphia office of the U.S. Bureau of Labor Statistics and the Research and Statistics Division of the Pennsylvania Department of Labor and Industry deserves special thanks. Each of these offices tolerate countless phone calls each month as we update our information and check the accuracy of the data and have become instrumental to the success of our program. Additionally, some of the Department of Labor and Industry's local labor market analysts have offerred some very helpful comments and advice concerning the "Around the State" section of the *Survey.*

Again, we offer our thanks to all who have helped with the publication of the *Pennsylvania Business Survey.* We look forward to continuing our relationships in the future.

Personal Income Report

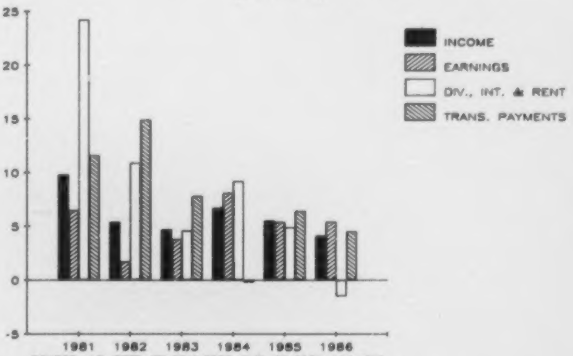
Personal income trends in Pennsylvania during 1986 provide further evidence of an economy showing modest growth, but with considerable room for improvement. For the entire year, personal income, which represents income from all sources, totalled $165.8 billion in the Commonwealth for a gain of 4.1 percent from 1985. Nationwide, the increase was 5.3 percent to nearly $3.5 trillion. On the plus side, these gains outpaced price increases, which implies a "real" or inflation-adjusted gain and a corresponding increase in buying power.

All of last year's growth in personal income in Pennsylvania occurred in two components: earnings and transfer payments (see chart). Income from the third component, dividends, interest, and rent (DIR), fell from 1985 levels. Wages and salaries make up the bulk of the earnings category. During 1986, they grew 4.8 percent. Given that nonagricultural job levels expanded by 1.4 percent, this suggests that unit labor costs, a good barometer of inflationary pressures, grew only moderately, a trend in line with national patterns. Growth in income derived from the DIR category has declined considerably since the early 1980s, partially the result of lower interest rates and hence, income from financial instruments.

Unfortunately, as stated several times in the past, it does not appear as if economic growth in Pennsylvania is keeping pace with that in the nation. Personal income growth in the Commonwealth failed to match the national rate of increase for the twelfth consecutive year. As shown in the accompanying chart, Pennsylvania's share of U.S. personal income has been on the decline over the past several years. Pennsylvania accounted for about 4.8 percent of U.S. personal income in 1986. In 1970, the figure was 5.8 percent.

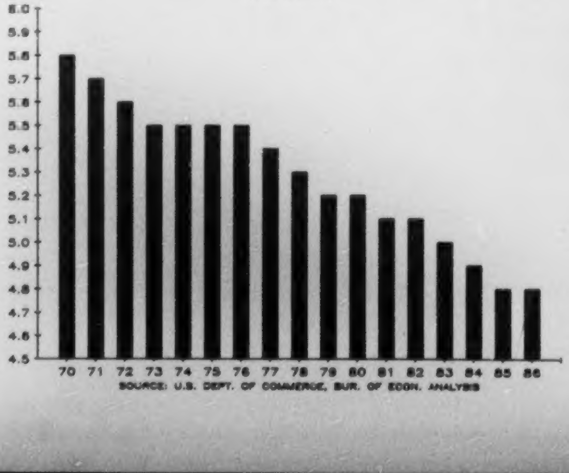
Additional evidence of Pennsylvania's relatively weak showing as of late may be found in the per capita (per person) personal income (PCPI) data. Pennsylvania PCPI was nearly identical to that for the nation throughout the early

ANNUAL GROWTH IN PA PERSONAL INCOME
AND ITS COMPONENTS
(percent)



SOURCE: U.S. DEPT. OF COMMERCE, BUR. OF ECON. ANALYSIS

PA PERSONAL INCOME AS A SHARE OF THE U.S.
(percent)



SOURCE: U.S. DEPT. OF COMMERCE, BUR. OF ECON. ANALYSIS

1986 Personal Income by Major Source, Pennsylvania and the United States (Millions of Dollars)

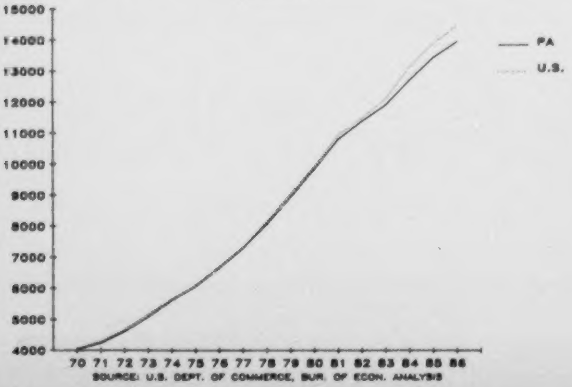
	Pennsylvania		U.S.
	1986	Pct. Chg. From 1985	Pct. Chg. From 1985
Labor and proprietors income by place of work	117,722	5.4	6.1
By type			
Wage and salary disbursements	94,337	4.8	5.5
Other labor income	10,357	5.1	6.0
Proprietors income	13,027	9.9	10.6
By industry			
Farm	794	- 6.6	- 1.1
Nonfarm	116,928	5.4	6.2
Private	101,500	5.6	6.2
Ag. serv., for., fish., and other	437	16.5	10.0
Mining	1,567	- 8.4	-13.3
Construction	7,577	17.6	10.1
Manufacturing	29,510	- 0.4	2.5
Nondurable goods	11,200	2.8	3.7
Durable goods	18,310	- 2.3	1.8
Transportation and public utilities	8,227	3.2	3.3
Wholesale trade	7,035	5.3	4.2
Retail trade	11,343	7.2	5.6
Finance, insurance, and real estate	7,580	15.8	15.7
Services	28,227	7.9	8.9
Government	15,427	4.3	6.5
Federal, civilian	3,889	2.7	2.8
Federal, military	626	- 1.0	4.8
State and local	10,913	5.2	8.0
Total personal income	165,774	4.1	5.3
Nonfarm personal income	164,980	4.1	5.4
Net labor proprietors income[1]	109,232	5.4	6.1
Dividends, interest and rent	26,273	- 1.5	1.9
Transfer payments	30,269	4.5	5.6

SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis.
Regional Economic Information System, April 1987.

[1] Total earnings by place of work less personal contributions for social insurance and plus an adjustment for residence.

and mid 1970s. However, beginning in the late 1970s, the nation began to open up a gap with respect to the Commonwealth (see chart). As of 1986, PCPI in Pennsylvania came to $13,944 compared to $14,461 in the nation as a whole.

PA AND U.S. PER CAPITA PERSONAL INCOME (dollars)



SOURCE: U.S. DEPT. OF COMMERCE, BUR. OF ECON. ANALYSIS

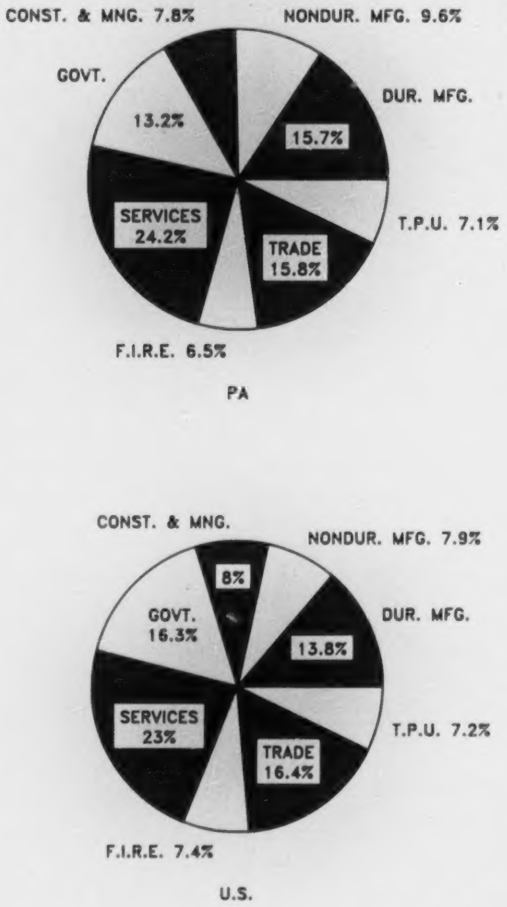
In terms of PCPI, the Commonwealth's position began to deteriorate just about the time manufacturing started suffering from a number of structural problems. As shown in the accompanying chart, a much larger share of nonfarm earnings in Pennsylvania comes from the manufacturing sector compared to the U.S. (25.3 percent vs. 21.7 percent). Hence, problems in these industries are magnified in the Commonwealth. On the private sector service-producing side, the share of total earnings in Pennsylvania and the nation is about the same at 53.6 percent and 54 percent, respectively.

In looking at the situation on an industry-by-industry basis, the 1986 data provide a clear indication of the problems caused by manufacturing's difficulties. Although total nonfarm earnings in Pennsylvania grew by 5.4 percent compared to 6.2 percent in the U.S., in several service-producing industries within the Commonwealth, earnings growth was quite similar to national growth, and in many cases, exceeded it. On the goods-producing side, the decline in mining earnings in Pennsylvania was not as large in the U.S., while the gain in construction earnings was considerably stronger. Clearly, the bulk of our problems may be traced to the manufacturing sector where earnings fell 0.4 percent last year compared to a 2.5 percent gain in the nation.

— *William D. Anderson*

(Normally, personal income estimates for metropolitan areas are also presented at this time. However, because of a comprehensive revision program, the Bureau of Economic Analysis will not be releasing this information this year. Next spring, both 1985 and 1986 estimates will be released.)

PA AND U.S. 1986 NONFARM EARNINGS DISTRIBUTIONS
(by place of work; percent)



SOURCE: U.S. DEPT. OF COMMERCE, BUR. OF ECON. ANALYSIS

THE U.S. ECONOMY . . . A DELICATE BALANCE THREATENED

(Although the focus of the *Survey* is clearly on economic conditions in the Commonwealth, it is important to keep in mind that national trends are quite important to the health of the State economy. Hence, it is beneficial to periodically review trends in the U.S. as a whole. This article was prepared by Jack Malehorn, Economist for United Telephone System, Eastern Group. The views expressed are his own and do not necessarily reflect those of United Telephone System or The Pennsylvania State University.)

Despite a strong first quarter, the delicate balance which has characterized the U.S. economy over the last several quarters appears to be in jeopardy. A falling dollar, rising interest rates and inflationary pressures have sparked widespread concern over the economy's resiliency. Whether this is the first warning sign of an impending downturn is too early to tell. More than likely, the economy will rebound in a continuation of its earlier roller-coaster style, characterized by seemingly conflicting economic signals. While the risk of a recession has increased, odds are that the economy will finish the year with positive, albeit contained, growth.

First Quarter Results

The economy recorded a surprising 4.4 percent annual rate of increase in real GNP during the first quarter of the year. The first quarter results are the strongest since the second quarter of 1984, and above the 2.4 percent average annual rate of increase recorded since mid 1984. The principal reason for the first quarter improvement was linked to inventory spending and an increase in net exports.

While on the surface the first quarter results gave reason for optimism, several underlying factors emerged which signalled caution. The strong inventory buildup was due mainly to farm stocks and automobiles. Only a small portion of the nonfarm inventory increase was in nonautomotive goods, suggesting that inventories are still expected to remain lean. In fact, excluding inventory growth, GNP actually declined 2 percent in the first quarter.

Net exports rose for the second successive quarter due to a reduction in imports, particularly petroleum products. According to a Federal Reserve Bank of Cleveland publication entitled, *Economic Trends*, the increase in real net exports of goods and services contributed more than one-third of the first quarter's growth. As anticipated, consumer spending, business spending and residential spending fell in the first quarter.

The Consumer

Earlier this year, projections for consumer spending growth called for something substantially less than the previous year's robust performance. The central issue today focuses on whether the consumer has begun a retrenchment or, instead, a temporary pause. Total personal consumption expenditures increased a mere 0.4 percent on an annualized basis in the first quarter. Nondurable goods and services exhibited a 1.2 percent and 4.3 percent increase, respectively. However, the more volatile durable goods component fell 18 percent. A major factor in the durable goods decline was a reduction in automobile sales. Still, purchases of durable goods reflect consumer attitudes and their willingness and ability to purchase big ticket items and service long-term debt. High debt to income levels, changes in the tax laws and historically low savings support the forecast of a reduction in consumer expenditures. Of greater consequence is the consumer's responsiveness to recent price pressures and rising interest rates. Most assuredly, consumer confidence is on the wane, affected in part by a loss of real purchasing power. This dual blow of higher inflation and an increase in interest rates could stymie consumer intentions throughout the remainder of the year.

Business

As previously noted, the first quarter strength in the economy was mainly the result of stockpiling. Therefore, a reassessment of the business sector's fortunes is still premature. Factory operating rates remain at low levels and global demand for goods is low. Vacancy rates for office complexes and shopping centers remain high enough to thwart speculative intentions of building for the next boom period. Finally, businesses now face rising interest rates in the face of uncertain markets.

American businesses are intent upon improving the bottom line. Consequently, cost-saving techniques such as labor force reductions, the writing down of unproductive facilities, slashing overhead costs, selling assets and restructuring operations are currently in vogue. A conservative approach to investment opportunities (i.e., plant and equipment spending), will be considered the norm throughout the year.

Trade

The bright news in the first quarter GNP report is that the foreign trade deficit declined on an annualized basis. A closer examination indicated that the reduction in the trade gap was principally due to less oil imports. Despite the decline in the dollar, it is still a risk to assume that U.S. exports will increase enough to offset the unrelenting foreign trade deficit. Foreign goods have become deeply entrenched in U.S. markets and are not expected to be replaced by domestically manufactured goods immediately. Finally, uncertainty exists concerning whether U.S. producers can enter or regain foreign markets with the currently available sales force and marketing techniques.

Financial Markets

Sparked by the fear of a freefall in the dollar and inflationary pressures, turbulence rocked the financial markets. In effect, an increasingly tight linkage exists between foreign exchange markets and the bond market. The realization that the U.S. cannot borrow on an unlimited basis without influencing the exchange value of its currency, kindling fears of inflation, and causing worries over the economy's performance, has pervaded credit markets. Rapid depreciation in the value of the dollar against other currencies has fueled an erosion in confidence by market participants and consequently has caused a reduction in bond prices. As a result, yields on long-term treasury securities and mortgages rose as did short-term rates, although not as substantially. Over a matter of a few weeks, long-term treasury securities and mortgages advanced from 100 to 200 basis points, practically wiping out the previous year's declines.

The task facing the Federal Reserve System has become even more cumbersome. Cognizant of inflationary pressures within the economy, the Fed could force interest rates higher in order to contain price pressures, but only at the risk of worsening the foreign debt crisis and possibly pushing the economy to the brink of a recession. On the other hand, an attempt to lower interest rates would clash with the Treasury's task of financing the federal budget deficit. The fear of foreign investors balking at dollar denominated securities maintains a constant floor under interest rates and makes a push for lower rates by the Fed highly unlikely.

Inflation

The fear of inflation — virtually dormant over the last several years — reemerged with sudden force. Credit and equity markets turned extremely volatile, being pushed and pulled by reports on the dollar and precious metal prices (a barometer of basic inflationary pressures). Over the first quarter, the Consumer Price Index grew at a compound rate of 6.2 percent compared to last years's 1.1 percent advance. The Producers' Price Index (a barometer of wholesale goods inflation) increased 4.6 percent on an annual compound basis as compared to a 2.5 percent decline in 1986.

At this stage in the business cycle, inflation is usually the result of production limitations and/or wage pressures. However, the current increase in prices is more closely tied to the foreign sector with little evidence of capacity constraints within the economy. The fall in the dollar has led to a subsequent increase in import prices as a means by which foreign producers can enhance profit margins. In addition, domestic producers appear to have responded with their own increase in prices, foresaking the opportunity to gain back market-share.

An examination of the components which make up the CPI indicates that energy prices were the main contributor to the first quarter's price pressures. In addition, prices for housing, transportation, medical care, entertainment and other goods and services increased. For a period of over a year, the goods component of inflation was subdued. Now with import and domestic price increases, combined with service price pressures, inflation has become more deeply entrenched. Of special concern is the possibility of an inflation spiral developing which feeds on itself through speculative buying practices.

The key question surrounding the reemergence of inflation is the economy's sensitivity to rising prices and subsequently higher interest rates. Either one or both combined could be enough to derail the economy.

New Rules and a New Game

The decade of the sixties was marked by a high growth period fueled by the Kennedy/Johnson Administration's Great Society programs and the war effort. During that time, the U.S. economy was firmly established as an engine to the world economy and the benchmark by which the rest of the world could judge their nation's economic performance. The decade of the seventies witnessed several major supply shocks (i.e., oil and agricultural goods), and a fierce battle with inflation which reduced the decade's overall growth.

The decade of the eighties may be regarded as the realization of a global economy. Merchandise trade deficits, the value of the dollar, and foreign investment are as much a part of today's environment as the Dow Jones Index. Undoubtedly, the introduction of new global players and worldwide information complicates the analysis of the economy. These changes are reflected in the awareness and level of importance placed on overseas economies. For example, one economist has written that the next downturn in the U.S. economy may not be due to a domestic occurence, but instead a major correction in the Japanese stock market.

Within a relatively short time period, several major problems in the economy have emerged with enough force to significantly impact credit and equity markets and the assurance that the recovery will continue on indefinitely. The value of the dollar, inflation and interest rates have become intricately linked, thereby increasing the sensitivity of many U.S. industries to domestic and international events. In addition, the intractable foreign trade deficit and ominous federal budget deficit continue to weigh heavily on the direction of the economy.

The recovery should remain on track, yet jostled by the now familiar up-and-down pattern experienced over the last couple of years. However, the chances of the recovery continuing through 1988 are more tenuous due mainly to factors outside of the direct control of the U.S. economy and its policymakers.

— *Jack Malehorn*

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PENNSYLVANIA BUSINESS SURVEY

College of Business Administration The Pennsylvania State University July 1987

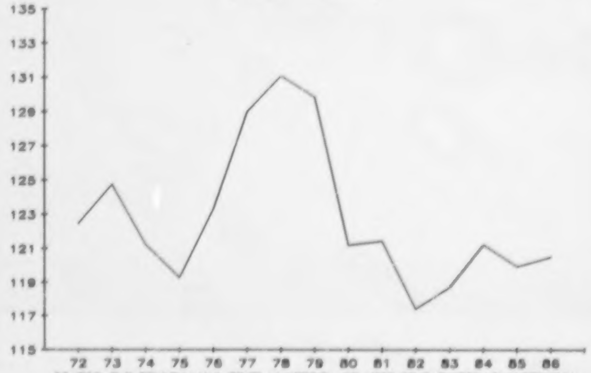
NO SURGE, NO SLUMP

There were some encouraging signs in the Pennsylvania economy in May, but a quick glance at some of the soft spots and a realization of the "up and down" nature of the Commonwealth's economy lately is enough to temper any outbreak of optimism. The index of coincident indicators, which is designed to gauge overall trends in current economic activity, registered a 0.7 percent gain. But that follows three months of declines, so it should not be interpreted as evidence of a rebound. Two of the three components of the index, resident employment and real weekly earnings in the manufacturing sector, rose, while the third, manufacturing job levels, declined.

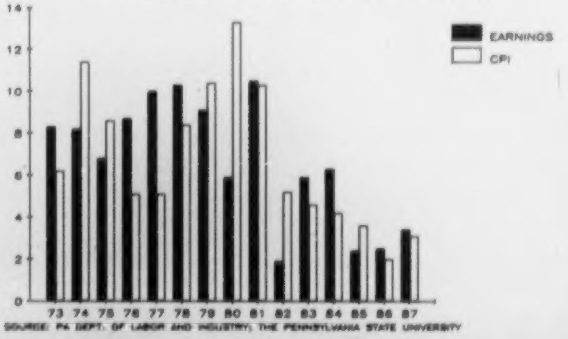
Recent behavior in the real weekly earnings component points to some problems. So far this year, nominal earnings have been just over $400 per week for the average production worker in manufacturing in the State. Real earnings, based on 1967 price levels, have averaged about $120 per week. In other words, $120 in 1967 would have bought the same amount of goods as $400 today. The important point, however, is that **average "inflation-adjusted" earnings today are essentially unchanged from 1972 levels,** the earliest year for which comparable data are available. Although nominal earnings in the manufacturing sector have been on the rise, they have just barely kept pace with price increases over the last several years, resulting in little, if any, gain in real buying power.

The reasons for this behavior are readily apparent in the two accompanying charts. In the mid 1970s, inflation, as measured by the growth in a weighted average of the Pittsburgh and Philadelphia consumer price index numbers, due to the oil price shock, far outpaced earnings growth, resulting in a decline in real earnings. Over a three year period immediately thereafter, earnings growth surpassed price increases, enabling the average worker to more than regain all of the ground lost earlier. However, rising inflation in 1979 and into the early 1980s more than offset earnings growth, resulting in a drop in real earnings. Since then, real earnings have essentially held steady, although there was a slight rise in 1986 and into the first five months of this year. Much the same trend emerges if another measure of inflation is used, say, the gross national product implicit price deflator or the CPI for the U.S. as a whole. Still, this does not tell the whole story. As pointed out in last month's *Survey*, total personal income growth in Pennsylvania has been slightly outpacing price advances, resulting in real gains in purchasing power. At the least, though, **the rather disappointing behavior in the real manufacturing earnings category provides further evidence of the nature of the unbalanced recovery occurring in the Commonwealth.**

The increases in manufacturing job levels during recent months, which were mainly the result of the end of the USX work stoppage, have apparently come to an end. All told, job levels dipped a seasonally adjusted 3,000 during the month to 1,034,000. This is the second consecutive monthly decline after two straight gains and, unfortunately, represents a new all-time low. Normally, manufacturing activity picks up in May, resulting in a rise of about 3,100 jobs on durable goods payrolls and 1,200 jobs in the nondurables sector. In the durable goods area, the increase in jobs did indeed occur, but at 1,900, it was less than expected, resulting in a seasonally adjusted decline of 1,200. On the nondurables side, the loss of 300 jobs given the expected increase due to normal seasonal trends translates into an adjusted decline of 1,500 positions.


REAL WEEKLY EARNINGS BY PRODUCTION WORKERS IN PA'S MANUFACTURING SECTOR
(1967 dollars)

SOURCE: THE PENNSYLVANIA STATE UNIVERSITY, COLLEGE OF BUSINESS ADMINISTRATION

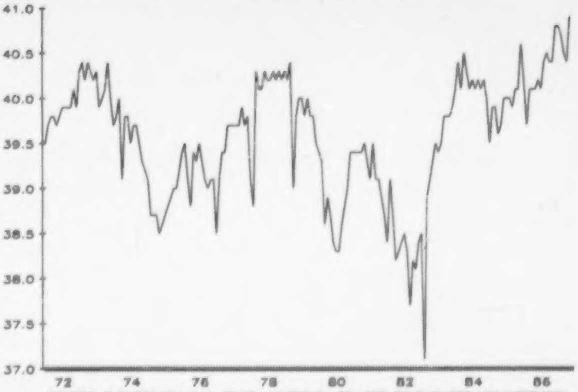

GROWTH IN AVE. WEEKLY EARNINGS BY PROD. WORKERS IN PA'S MFG. SECTOR AND THE CPI
(percent change from year ago; CPI is weighted ave. of Philadelphia and Pittsburgh data)

SOURCE: PA DEPT. OF LABOR AND INDUSTRY; THE PENNSYLVANIA STATE UNIVERSITY

A recent study released by the Middle Atlantic Regional Office of the U.S. Bureau of Labor Statistics backs up analyses presented in earlier issues of the *Survey* which showed that manufacturing in Pennsylvania has been especially hard hit by the difficulties facing these industries. The study showed that over half of the states lost manufacturing jobs over the March 1984-March 1987 period. Pennsylvania lost about 85,000 jobs over the period, the second largest decline among all states, trailing only New York's 99,000. In percentage terms, the 7.6 percent decline in Pennsylvania was the fourth largest among all states.

On a somewhat brighter note, other indicators of manufacturing's health improved during May. The average factory workweek, total hours worked, and total weekly pay-

PA'S AVERAGE FACTORY WORKWEEK
(seasonally adjusted; hours per week)



SOURCE: THE PENNSYLVANIA STATE UNIVERSITY, COLLEGE OF BUSINESS ADMINISTRATION

Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1987		1986	1987		1986	1987		1986
	Apr.	*May*	*May*	*Apr.*	*May*	*May*	*Apr.*	*May*	*May*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	4,881*	4,923	4,814	4,884	4,896	4,787	107.0	107.2	104.8
Nonmanufacturing									
No. of wage and salary jobs (thous.)	3,845*	3,885	3,757	3,847*	3,862	3,734	119.3	119.8	115.8
Mining	31*	31	34	31*	31	34	65.4*	64.2	70.4
Contract construction	211*	224	203	219*	222	200	119.2	120.5	108.8
Transportation	136	139	140	138*	137	138	85.6*	85.3	85.9
Public Utilities	105	105	101	105	105	102	104.7	104.6	101.0
Wholesale trade	268*	270	259	268*	270	259	121.1*	121.7	116.9
Retail trade	849*	861	830	859*	863	832	119.7	120.3	116.0
Finance, insurance & real estate	285	287	276	286	287	276	131.6	131.9	126.8
Service & miscellaneous	1,265*	1,274	1,223	1,260*	1,265	1,214	146.0*	146.7	140.7
Federal government	139	141	140	139	140	139	108.5	109.4	108.6
State & local government	553*	553	551	543*	543	541	93.2*	93.2	92.9
Manufacturing									
No. of wage and salary jobs (thous.)	1,034*	1,036	1,055	1,037*	1,034	1,053	77.3*	77.1	78.4
Durable goods	587*	589	603	588	586	600	72.6	72.4	74.1
Nondurable goods	447*	447	452	450	448	453	84.5	84.2	85.1
Ave. wkly. hrs. worked by prod. workers	40.2*	40.7	39.9	40.4*	40.9	40.1	102.3*	103.5	101.5
Total wkly. person-hours worked (mils.)	28.2*	28.6	28.6	28.4*	28.6	28.6	73.9*	74.6	74.4
Total wkly. payroll (mil. dols.)	279.6*	283.8	277.4	281.3*	284.3	277.8	125.2*	126.5	123.6
Steel production (thous. tons)	1,035*	1,078	1,021	n.a.	n.a.	n.a.	40.1*	44.3	41.8
Industrial electric power sales (mil. kwh)	3,453	3,482	3,438	3,457	3,517	3,486	93.6	95.2	94.4
Mining									
Anthracite coal (thous. net tons)	363	357	294	458	366	292	93.9	74.8	59.9
Bituminous coal (thous. net tons)	5,013	n.a.	5,457†	4,833	n.a.	5,250†	68.5	n.a.	74.4†
Construction contracts awarded (mil. dols.)									
Total	722.3	643.7	821.3*	598.5	604.3	755.2*	186.0	187.8	234.7*
Residential building	320.1	279.7	438.0*	245.8	222.2	335.4*	174.7	157.9	238.3*
Nonresidential building	229.5	198.3	211.1*	225.9	239.5	259.5*	208.2	220.7	239.2*
Nonbuilding (utilities and public works)	172.7	165.7	172.2*	126.8	142.6	160.3*	126.8	196.8	221.1*
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,164	5,289	5,231	5,236	5,318	5,260	109.0	110.7	109.5
Unemployed									
No. of persons (thous.)	295	300	436	306	305	444	76.3	76.1	110.6
Rate (percentage of labor force)	5.4	5.4	7.7						
Rate, seasonally adjusted				5.5	5.4	7.7			
Civilian labor force, no. of persons (thous.)	5,459	5,589	5,667	5,542	5,623	5,704	106.4	108.0	109.6
Initial claims for unemployment benefits	92,138	71,631	89,903	98,661	86,882	112,904	68.9	60.7	78.9

Consumer Prices, all items	Urban Indexes (1967 = 100)			Percentage Change	
	1987		1986	*Month*	*Year*
	Apr.	*May*	*May*	*Ago*	*Ago*
U.S. city average	337.7	338.7	326.3	+0.3	+3.8
Philadelphia	333.8	338.4	318.9	+1.4	+6.1
Pittsburgh	338.2	n.a.	328.1†	n.a.	+3.1

[1] Total includes workers on strike. * = figure revised † = figure for April 1986 n.a. = data not available

SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

rolls all rose from their April readings. At a seasonally adjusted 40.9 hours, the average factory workweek stood at a record high. This indicator moves cyclically with the overall economy. As shown in the accompanying chart, the average factory workweek fell considerably during the recessions of the mid 1970s and early 1980s and rose sharply immediately following each slump. Over the last several months, the workweek has fluctuated quite widely, although the general trend appears to be slightly upward. Normally, the existing workforce puts in longer hours before additional workers are hired. Again, though, in light of the recent erratic behavior in this measure (May's rise follows three straight monthly declines), more time is needed to see if that relationship holds in the future.

Average daily steel production rose for the third straight month in Pennsylvania following the end of the USX labor dispute. In fact, the seasonally adjusted 31,100 tons of steel produced in Pennsylvania steel mills per day in May represents the highest level since February 1986. Still, the decline of the steel industry has been quite pronounced in both the Commonwealth and the U.S. (see chart). In fact, output from the Commonwealth's steel mills has been less than one-half of 1977 levels since around mid 1984.

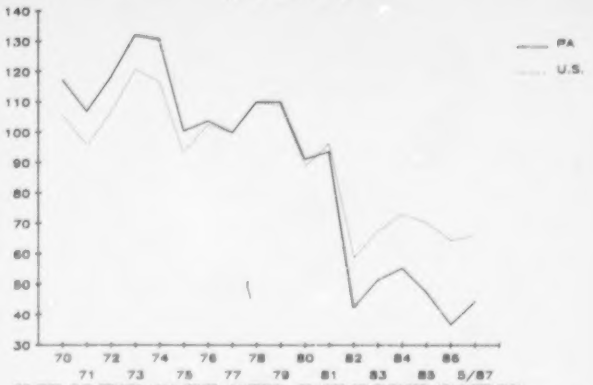
At the national level, a few positive signs have emerged as of late with respect to manufacturing's fortunes. Industrial ouptut and capacity utilization both rose in May. Furthermore, signals of a decline in the U.S. foreign trade deficit are becoming stronger. Much of the improvement is the result of the impact of the declining dollar. At the same time, there are worries that a depreciating dollar may scare off foreign investors from purchasing dollar-denominated securities. If this were to occur, the big fear is that interest rates would have to rise in order to attract adequate funds from abroad to help finance the stubborn federal budget deficit.

As far as the job picture goes, **the nonmanufacturing sector continued to drive economic growth in Pennsylvania during May.** Not surprisingly, the trade and services industries were once again the major contributors. At a seasonally adjusted 1.27 million, there were 5,800 more jobs in the services industries compared to the April reading. So far this year, services jobs have grown at a 4.3 percent clip, a pace considerably stronger than the 2 percent growth rate for all nonagricultural establishments.

The seasonally adjusted 863,000 retail trade jobs in May represent a gain of 4,300 from the previous month. So far this year, retail trade job levels are up 3.4 percent compared to the same period in 1986. As shown in the accompanying chart, **the gains in retail trade jobs have coincided with fairly consistent gains in retail sales in the Commonwealth.**

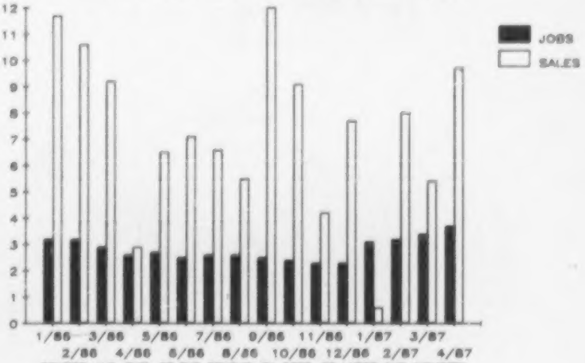
Based on the value of contracts awarded, the growth in construction activity in Pennsylvania has slowed from a rather hectic 1986. So far this year, nearly $3.5 billion worth of construction contracts have been awarded in Pennsylvania, an amount essentially unchanged from a year ago. During the first five months of 1986, the year-to-date increase came to 34 percent. However, just the opposite is true when the job picture is considered. During the first five months of 1987, the increase in construction jobs, on an annualized basis, has come to 10.3 percent. For all of 1986, the growth was 8.2 percent.

AVE. DAILY STEEL PRODUCTION IN PA AND THE U.S.
(1977=100)



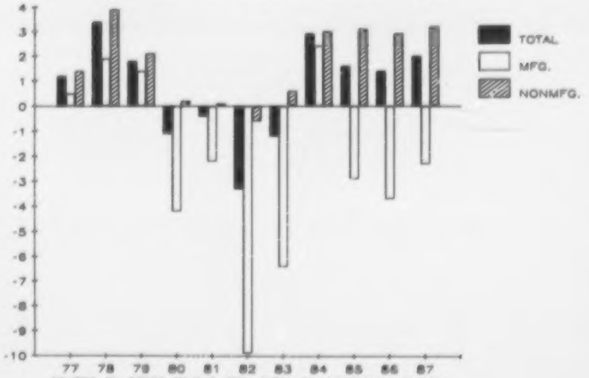
SOURCE: THE PENNSYLVANIA STATE UNIVERSITY, COLLEGE OF BUSINESS ADMINISTRATION

PA RETAIL TRADE JOB GROWTH
AND RETAIL SALES GROWTH
(percent change from year ago)



SOURCE: U.S. BUR. OF THE CENSUS; PA DEPT. OF LABOR AND INDUSTRY

NONAGRICULTURAL JOB GROWTH IN PA
(percent change from year ago)



SOURCE: PA OFFICE OF EMP. SEC., DEPT. OF LABOR AND INDUSTRY

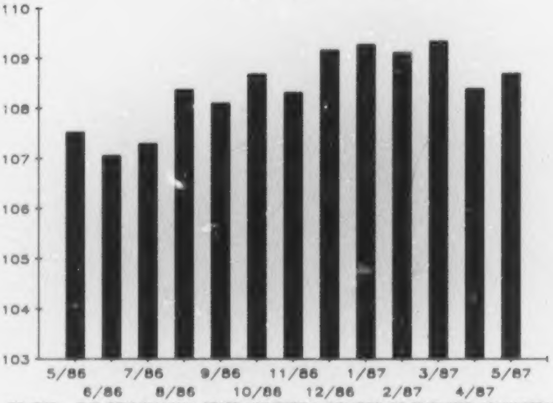
There was a second consecutive gain in the number of Pennsylvanians counted as employed during May. This helped push down the unemployment rate from a seasonally adjusted 5.5 percent in April to 5.4 percent. May's employment gain totalled over 80,000, leaving employment at 5.32 million after adjustment for normal seasonal patterns, a record high. At the same time, the labor force rose by about 80,000 on a seasonally adjusted basis for its second straight monthly advance to its highest level since September 1986. Continued gains in this indicator would be welcome in light of the fact that a growing labor force is usually indicative of a strong economy.

The employment and job picture so far this year is conforming quite nicely to our expectations put forth in the February 1987 "Review and Outlook" issue of the *Survey*. At a monthly average of 5.15 million over the January-May period, **resident employment is up only slightly from the average for the first five months of 1986. Although manufacturing jobs continue to be lost, the decline so far this year has not been as severe as in the past two years (see chart). Nonmanufacturing's job gains have been in line with those of the 1984-1986 period.**

Recent behavior in the Pennsylvania index of leading indicators points to a continuation of the rather erratic economic performance of recent months. This barometer of future economic activity rose 0.3 percent in May after a 0.9 percent drop in April. In that the index has not generated a string of increases, **it is safe to say that economic activity will not accelerate anytime soon. At the same time, the fact that the index is not moving consistently downward indicates that the economy is in little danger of slipping into a full-fledged recession.**

— William D. Anderson

PENNSYLVANIA COMPOSITE INDEX
OF LEADING INDICATORS
(Jan 1972=100)



SOURCE: THE PENNSYLVANIA STATE UNIVERSITY, COLLEGE OF BUSINESS ADMINISTRATION

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Pennsylvania Business Survey

August 1987

"No recession is in sight. No boom is in sight. Just more of the same slow persistent...growth that has become so...familiar of late."*

* (Alfred L. Malabre, Jr.; "The Outlook;" *Wall Street Journal;* July 21, 1987.)

Although the focus of Mr. Malabre's statement was on the situation in the U.S. economy as a whole, it appears to be quite appropriate with respect to the economic situation in Pennsylvania. **One is hard-pressed to find evidence of any pending uptick in economic activity in the Commonwealth.** However, Mr. Malabre goes on to point out that the current national expansion will soon become the longest peacetime period of uninterrupted growth on record. Although similar business cycle dates are not available for Pennsylvania, it is probably safe to say that much the same is true for the State, irregardless of our rather lackluster performance as of late.

June brought with it a fairly stable situation on the employment/unemployment front. The number of Pennsylvanians officially counted as employed dipped a seasonally adjusted 9,000, from 5.32 million in May to 5.31 million in June. Coupled with a similar rise in the civilian labor force, this resulted in a gain of nearly 20,000 in the number of unemployed and a slight 0.3 percentage point rise in the jobless rate to 5.7 percent, seasonally adjusted. All of the changes are quite small and, together, imply a holding pattern with respect to employment and unemployment for the month of June.

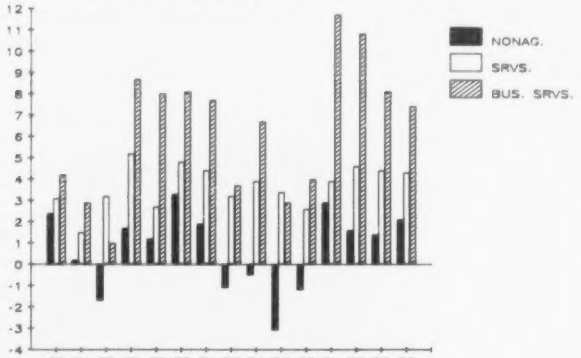
There appears to be little likelihood that general trends with respect to the nonagricultural job picture will change significantly anytime soon. **The bulk of all new jobs will continue to be generated in the Commonwealth's nonmanufacturing establishments well into the foreseeable future.** Specifically for June, nonmanufacturing continued its nearly continuous stretch of job gains since the early 1980s. Job levels in these establishments stood at a seasonally adjusted 3.88 million for the month, another record high. Through the first half of 1987, nonmanufacturing job levels stood 3.3 percent higher than in the same period of 1986.

The vast majority of all new jobs within nonmanufacturing continue to come from the service-producing side, specifically, from services itself. One issue that has moved to the forefront lately concerns the possible relationship between industry restructuring and the growth in services jobs. Often, when restructuring occurs, internal departments involved with such activities as accounting, public relations, and advertising, to name a few, are reduced or eliminated. Thereafter, these kinds of activities may be contracted out to outside firms in the service sector. Hence, **it is possible that at least some of the job gains being realized by the services industries recently simply represent jobs once maintained in-house.** Indeed, as shown in the accompanying chart, the "business services" component has been growing considerably faster than services as a whole in Pennsylvania.

While this does not necessarily prove that this trade-off is indeed occurring in the State, it does suggest that the possibility certainly exists. As an aside, eastern Pennsylvania may be situated nicely to house these "new" jobs as they spill over from the New York/New Jersey area.

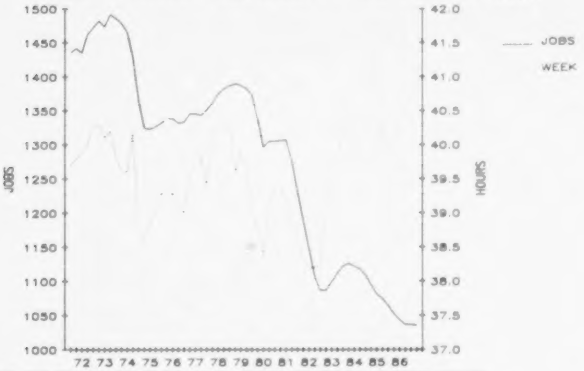
Unfortunately, **it is the same old story in manufacturing** as these industries, at least in terms of the job situation, remained sluggish in June. For the month, manufacturing job levels held steady at a record low 1.03 million, seasonally adjusted. The decline in job levels, which started about mid 1984 after a brief recovery from the recessions of the early 1980s, has yet to be reversed. But as pointed out in the past, there are signs of life in these industries. Industrial power sales, a good measure of production trends, rose for the second consecutive month in June. Average daily steel production in Pennsylvania facilities rose for the fourth straight period. Additionally, the average factory workweek rose to a seasonally adjusted 41 hours for the first time ever.

GROWTH IN PA NONAGRICULTURAL, SERVICES, AND BUSINESS SERVICES JOBS
(percent change from year ago)



SOURCE: PA DEPT. OF LABOR AND INDUSTRY; RES. AND STATS. DIV.

PA MFG. JOBS AND THE AVE. FACTORY WORKWEEK
(jobs in thous., workweek in hours; seas. adj.)



SOURCE: PSU, COLLEGE OF BUS. ADMIN., CENTER FOR REGIONAL BUSINESS ANALYSIS

As discussed in the July *Survey*, the average factory workweek tends to move positively with economic activity. However, its once reliable relationship with manufacturing job levels seems to have at least temporarily broken down in recent years. **Prior to 1982, a rising factory workweek usually resulted in subsequent rises in manufacturing job levels. Just the opposite was true when the workweek declined (see chart). Since then, the workweek has advanced sharply, while jobs continue to be lost.** That trend cannot hold indefinitely, so it would not be surprising to see a leveling off in manufacturing jobs should the workweek continue to rise.

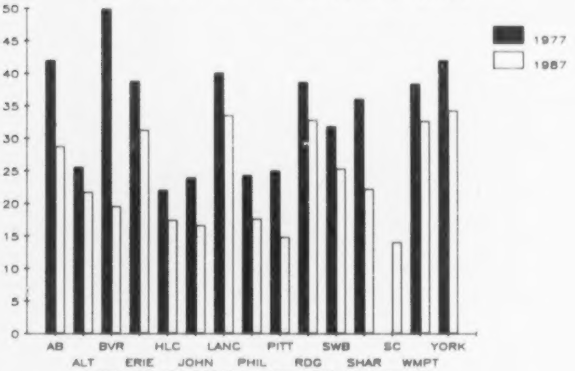
The difference in the manufacturing and nonmanufacturing job situations has changed the economic landscape of all regions of the State. The two accompanying charts

Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1987		1986	1987		1986	1987		1986
	May	*June*	*June*	*May*	*June*	*June*	*May*	*June*	*June*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	4,923	4,956	4,833	4,897	4,915	4,787	107.3	107.7	104.9
Nonmanufacturing									
No. of wage and salary jobs (thous.)	3,885	3,908	3,766	3,863	3,881	3,737	119.8	120.4	115.9
Mining	32*	32	34	31	30	33	64.8*	63.3	68.9
Contract construction	224	234	213	222	224	203	120.5	121.6	110.1
Transportation	140*	139	139	138*	139	138	85.9*	86.1	86.0
Public Utilities	105	106	98	105	106	98	104.7	104.9	97.0
Wholesale trade	270	272	260	270	271	259	121.6	122.2	116.8
Retail trade	863*	871	837	865*	867	833	120.6*	120.9	116.2
Finance, insurance & real estate	287	291	280	287	288	277	131.9	132.5	127.4
Service & miscellaneous	1,272*	1,278	1,224	1,263*	1,269	1,214	146.5*	147.1	140.8
Federal government	141	141	140	140	140	139	109.4	109.3	108.2
State & local government	552*	544	540	543*	546	542	93.2	93.7	93.0
Manufacturing									
No. of wage and salary jobs (thous.)	1,036	1,046	1,061	1,034	1,034	1,049	77.1	77.1	78.2
Durable goods	589	593	605	586	585	597	72.3	72.2	73.7
Nondurable goods	448*	452	456	449*	449	453	84.3*	84.4	85.0
Ave. wkly. hrs. worked by prod. workers	40.7	41.1	40.3	40.9	41.0	40.2	103.5	103.7	101.7
Total wkly. person-hours worked (mils.)	28.6	29.2	29.0	28.7	28.7	28.5	74.6	74.9	74.4
Total wkly. payroll (mil. dols.)	284.0*	290.4	281.6	284.6*	286.1	277.6	126.7	127.4	123.5
Steel production (thous. tons)	1,079*	1,008	872	n.a.	n.a.	n.a.	44.3	46.2	40.0
Industrial electric power sales (mil. kwh)	3,482	3,700	3,613	3,517	3,627	3,522	95.2	98.2	95.4
Mining									
Anthracite coal (thous. net tons)	357	385	297	366	376	297	74.8	77.0	60.7
Bituminous coal (thous. net tons)	n.a.	n.a.	4,653	n.a.	n.a.	4,507	n.a.	n.a.	63.9
Construction contracts awarded (mil. dols.)									
Total	643.7	1203.3	822.1*	604.3	976.5	652.6*	187.8	303.5	202.8*
Residential building	279.7	357.1	326.3*	222.2	277.8	253.4*	157.9	197.4	180.0*
Nonresidential building	198.3	502.4	250.7*	239.5	454.1	227.0*	220.7	418.6	209.2*
Nonbuilding (utilities and public works)	165.7	343.8	249.1*	142.6	244.6	172.2*	196.8	337.5	237.6*
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,289	5,359	5,289	5,318	5,309	5,240	110.7	110.5	109.0
Unemployed									
No. of persons (thous.)	300	354	419	305	320	384	76.1	79.8	95.9
Rate (percentage of labor force)	5.4	6.2	7.3						
Rate, seasonally adjusted				5.4	5.7	6.8			
Civilian labor force, no. of persons (thous.)	5,589	5,713	5,706	5,623	5,629	5,625	108.0	108.1	108.0
Initial claims for unemployment benefits	71,631	84,738	99,708	86,882	97,059	110,387	60.7	67.8	77.1

Consumer Prices, all items	Urban Indexes (1967 = 100)			Percentage Change	
	1987		1986	*Month*	*Year*
	May	*June*	*June*	*Ago*	*Ago*
U.S. city average	338.7	340.1	327.9	+0.4	+3.7
Philadelphia	338.4	339.0	321.7	+0.2	+5.4
Pittsburgh	n.a.	338.9	328.6	n.a.	+3.1

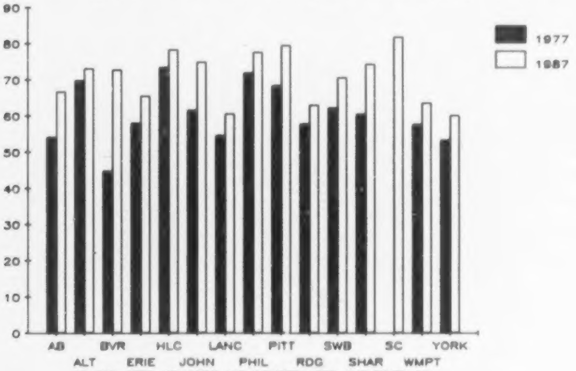
[1] Total includes workers on strike. * = figure revised † = figure for May 1986 n.a. = data not available
SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

MANUFACTURING JOB SHARES, PA METRO AREAS
(percent of all nonagricultural jobs)



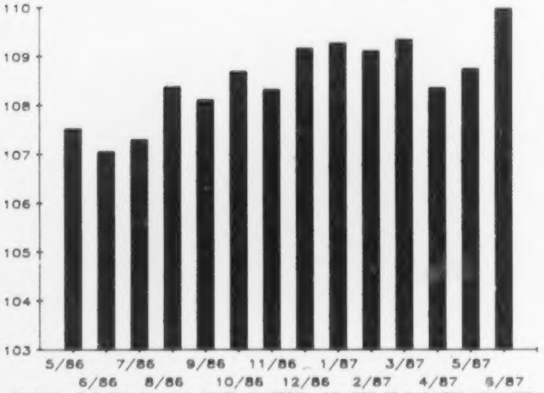
SOURCE: DEPT. OF LABOR AND INDUSTRY, RES. AND STATS. DIV.

SERVICE-PRODUCING JOB SHARES, PA METRO AREAS
(percent of all nonagricultural jobs)



SOURCE: DEPT. OF LABOR AND INDUSTRY, RES. AND STATS. DIV.

PENNSYLVANIA COMPOSITE INDEX
OF LEADING INDICATORS
(Jan 1972=100)



SOURCE: THE PENNSYLVANIA STATE UNIVERSITY, COLLEGE OF BUSINESS ADMINISTRATION

show that in each of the Commonwealth's metro areas, manufacturing accounted for a considerably smaller share of nonagricultural jobs in the first six months of this year relative to a decade ago. Similarly, service-producing's share has increased in each region. (1977 data for State College are not available.) Surprisingly, the three largest manufacturing economies, in terms of job shares, are found in the southeastern quarter of the Commonwealth. Among the lowest are found such surprises as Pittsburgh and Johnstown.

In dollar terms, construction contracts in Pennsylvania rose considerably in June after adjustment for normal seasonal trends. However, **for the year as a whole, contract values are up just 8.8 percent from the first six months of last year. This represents a considerable reduction in growth.** June's rise contributed greatly to the second consecutive gain in the Pennsylvania leading index.

— *William D. Anderson*

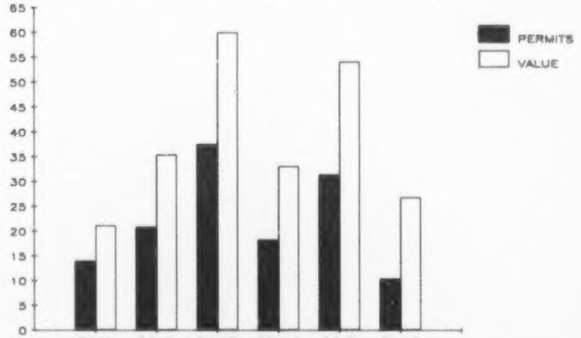
Housing Permits Report

Based on second quarter trends in permit authorizations, it appears that growth in residential construction activity may be slowing in Pennsylvania. This has been expected for several months (see earlier editions of the *Pennsylvania Business Survey*) due to moderate gains in the economy as a whole, a firming of mortgage rates, and rising housing prices. Overall, however, the news from the second quarter is far from bad.

In fact, 17,902 new housing units were authorized in the Commonwealth during the April-June period for a 9.2 percent gain from the same period a year ago. This follows a 43.4 percent annual gain in the first quarter of 1987. The number of single-family housing units authorized in the second quarter stood 10.4 percent higher than a year ago, while permits for multi-family dwellings rose less than 1 percent. Though growth has slowed, activity remains at a healthy level. Again, these trends stack up quite nicely with respect to the nation where the number of permits authorized actually fell during the second quarter. This continues to be surprising in light of the rather disappointing performance of the Pennsylvania economy as of late relative to the U.S., solidifying construction's role as a bright spot in the State's economy.

Although very little information is available, prices for new houses do appear to be on the rise in Pennsylvania. Whereas permit valuations do not necessarily reflect the market valuation of new housing, the degree to which permit valuations are rising or falling is a good proxy for changes in prices.

GROWTH IN PA SINGLE-FAMILY PERMIT
VALUATIONS AND AUTHORIZATIONS
(percent change from year ago)



SOURCE: U.S. DEPT. OF COMMERCE, BUREAU OF THE CENSUS

As shown in the accompanying chart, total permit valuations for single-family homes have been rising considerably faster than the absolute number of authorizations. Hence, it is safe to say that housing prices are on the rise, despite the lack of market price data.

Pennsylvania housing units authorized in permit issuing places

	Total	Pct. change from yr. ago	Single units	Pct. change from yr. ago
1987:IIQ	17,902	9.2	15,841	10.4
1987:IQ	11,264	43.4	8,931	31.4
1987 YTD	29,166	20.2	24,772	17.1

Source: U.S. Dept. of Commerce,
Bureau of the Census

Value of Pennsylvania housing units authorized in permit issuing places (thousands of dollars)

	Total	Pct. change from yr. ago	Single units	Pct. change from yr. ago
1987:IIQ	1,157,348	25.0	1,078,087	26.8
1987:IQ	670,900	63.0	584,829	54.1
1987 YTD	1,828,248	36.7	1,662,916	35.2

Source: U.S. Dept. of Commerce,
Bureau of the Census

Around the State

Northeastern Quarter

Allentown-Bethlehem

It was the same old story in the Allentown-Bethlehem area in the second quarter as sluggishness in manufacturing partially offset a solid performance in service-producing industries. While one is hard-pressed to imagine the difficulties facing the region in the absence of nonmanufacturing, there are concerns about the long-run impact of the trade-off between manufacturing and service-producing jobs.

There were a record high 193,000 nonmanufacturing jobs in the four-county region in the second quarter. Job levels have advanced 4.8 percent compared to the first half of 1986, a gain well in excess of the Commonwealth's 3.3 percent increase. The two largest industries, trade and services, have registered job gains equal to 4.7 and 5.1 percent, respectively. Job levels have increased partly in response to the population inflow from the New York/New Jersey metropolitan area. Construction activity appears to be holding up well. On a year-to-date basis, contract awards were up more than one-quarter in value on both the residential and nonresidential sides. Construction jobs have averaged 11,400 so far this year compared to 9,800 a year ago.

The situation in manufacturing is not so encouraging. There were 76,400 jobs in these industries during the April-June period, a record low. After adjusting for seasonality, job levels have declined in 12 consecutive quarters. Durable goods industries have been hard-hit, losing 7.6 percent of their jobs during the first six months of this year relative to the year-ago period. Nondurable goods jobs declined 3.4 percent. The average factory workweek averaged 39.2 hours in the second quarter compared to 40.7 hours for all of Pennsylvania.

Normally during the second quarter, resident employment rises by 5,300 for seasonal reasons. This year's advance, 9,400, was stronger than usual and pushed employment to a record high after seasonal adjustment. This helped lower the unemployment rate by 0.3 percentage point to 4.5 percent, seasonally adjusted, its lowest reading since 1974. Labor force declines, which are not indicative of a strong economy, contributed to recent reductions in the jobless figures, although some improvement was recorded in the second quarter.

While a good deal of the news of late has been encouraging, long-run trends show the economy growing at a pace similar to the State's. Since the first half of 1983, employment has grown 10 percent in the metro area compared to 10.7 percent Statewide. Nonagricultural job growth over the same period, 8.5 percent, exceeds growth in the Commonwealth by just 0.1 percentage point. Although this represents a major improvement over the early 1980s, economic growth falls considerably short of a boom and many problems remain to be solved.

Scranton-Wilkes-Barre

Like the situation throughout much of the Commonwealth, some gains in economic activity were registered in the second quarter in the Scranton-Wilkes-Barre region, but it is hard to be overly excited about recent trends. This is despite an unemployment rate which, at a seasonally adjusted 6.7 percent for the April-June period, stood 0.7 percentage point below the first quarter and 2 points below a year ago. Although employment, at 314,800, was up nearly 10,000 from the January-March reading, it is down for the year as a whole. During last year's second quarter, resident employment stood at 316,300. Hence, much of the year-to-year drop in the jobless rate is the result of a decline in the labor force of 9,400.

Allentown-Bethlehem Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	2 Q.'87	*2 Q.'87*	*1 Q.'87*	*2 Q.'86*
Employment *(in thousands)*				
Employed, no. of residents	297.2	109	108	109
Unemployed, no. of residents	14.3	67	72	126
Rate, seasonally adjusted	4.5			
Civilian labor force, no. of residents	311.5	106	105	110
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	269.4	105	104	103
Nonmfg. only, no. of jobs	193.0	130	128	123
Mfg. only, no. of jobs	76.4	71	71	74
Hrs. worked by production workers in mfg., *ave. weekly*	39.2	102	103	101
Industrial electric power sales				
Metropolitan area	...	106	105	107
Allentown	...	99	98	99
Bethlehem	...	112	111	114
Easton	...	108	104	102
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	172.3	+29		
Nonresidential contracts only	65.9	+26		

[1] Lehigh, Northampton, and Carbon Counties, Pa., and Warren County, N.J.

Scranton-Wilkes-Barre Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	2 Q.'87	2 Q.'87	1 Q.'87	2 Q.'86
Employment *(in thousands)*				
Employed, no. of residents				
Metropolitan area	314.8	112	111	112
Lackawanna County[2]	97.1	108	107	109
Luzerne County[3]	141.3	107	106	108
Unemployed, no. of residents				
Metropolitan area	22.3	70	80	96
Rate, seasonally adjusted	6.7			
Lackawanna County[2]	6.0	57	71	83
Luzerne County[3]	11.5	76	87	103
Civilian labor force, no. of residents				
Metropolitan area	337.1	108	108	110
Lackawanna County[2]	103.1	103	104	106
Luzerne County[3]	152.8	104	104	107
Local industries, Metropolitan area *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	285.6	109	109	108
Nonmfg. only, no. of jobs	213.5	120	119	118
Mfg. only, no. of jobs	71.9	86	86	87
Hrs. worked by production workers in mfg., *ave. weekly*	38.6	n.a.	n.a.	n.a.
Industrial electric power sales				
Metropolitan area[4]	***	109	104	108
Lackawanna County[2]	***	122	119	120
Luzerne County[3]	***	98	95	95
Hazleton	***	91	87	87
Wilkes-Barre	***	102	98	100

Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-June)	Pct Change From Year-Ago Ytd
Residential contracts only	94.0	− 12
Nonresidential contracts only	75.3	+ 79

[1] Columbia, Lackawanna, Luzerne, Monroe, and Wyoming Counties
[2] Includes Scranton
[3] Includes Wilkes-Barre and Hazleton
[4] Excludes Wyoming County

The five-county region continues to add jobs in nonmanufacturing. The 213,500 jobs in this sector represent an all-time high. Service-producing establishments continue to fuel the expansion. For the first six months of 1987, job levels in these industries were up 2.1 percent compared to a 3.1 percent advance for the State as a whole.

These gains continue to be counteracted by difficulties in manufacturing where the 71,900 second quarter positions translate into the lowest reading on record after adjusting for normal seasonal ups and downs. In 1977, these industries accounted for 31.9 percent of all nonagricultural jobs compared to 25.4 percent in the first half of this year. At 38.6 hours, the region's average factory workweek, the lowest among the State's 15 metro areas, appears to have plenty of room to increase before it will put pressure on job levels. However, the workweek is held back by a traditionally short workweek in the apparel industry (33.8 hours so far this year). On the durable goods side, the workweek is very similar to that for the State.

So far this year, construction jobs are up about 5.7 percent from a year ago in averaging 10,300 per month. The number of jobs in these industries, however, fall short of the levels maintained in the mid 1970s. Residential construction contracts totalled $94 million during the first six months of the year, off 12 percent from a year ago. A 79 percent rise left nonresidential contract values at $75.3 million.

While the overall economy of the region has certainly made great strides since the early 1980s, considerable room remains for improvement. Until activity becomes more balanced, however, it is doubtful that a significant growth spurt will appear. At the same time, those sectors that are strong, i.e., service-producing and construction, should keep the economy moving forward, albeit at a subdued pace.

Williamsport

The Williamsport regional economy continued on the long road back from the recessions of the early 1980s during this year's second quarter. Furthermore, the Lycoming County economy is one of only a handful in the State in which nearly all sectors are taking part in the recovery. Still, room remains for improvement.

Perhaps the best news is found on the employment front where the 53,300 residents counted as employed in the April-June period translates into an all-time high after adjustment for normal seasonal variations. Whereas employment in the Commonwealth has advanced 0.3 percent so far this year, the gain in the Williamsport region registered 1.5 percent. On the negative side, employment growth has slowed considerably relative to the 5.5 percent gain in 1986.

Second quarter's gain in employment, 2,900 from the first quarter before seasonal adjustment, was strong enough to absorb an increase of 1,900 in the labor force and reduce the number of unemployed by 1,000. The end result was an unemployment rate in the area estimated to be 4.8 percent after seasonal adjustment, down 1 percentage point from the first quarter and the lowest reading since 1973.

Unlike the situation throughout much of Pennsylvania, manufacturing is making a contribution to employment growth in the region. Although the 16,200 positions in these establishments fall well below levels which prevailed throughout the 1970s, they have increased in each of the past two quarters. During last year's second quarter, job levels stood at 15,200. A relatively high 41.7 hour average factory workweek is also helping to prop up job levels. Most new jobs, however, continue to come from nonmanufacturing. Of the 2,200 jobs added to nonagricultural payrolls so far this year, roughly 55 percent or 1,200 occurred in nonmanufacturing

Williamsport Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	2 Q.'87	2 Q.'87	1 Q.'87	2 Q.'86
Employment *(in thousands)*				
Employed, no. of residents	53.3	114	111	112
Unemployed, no. of residents	2.9	58	70	85
Rate, seasonally adjusted	4.8			
Civilian labor force, no. of residents	56.2	109	107	109
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	49.5	108	106	102
Nonmfg. only, no. of jobs	33.2	118	116	113
Mfg. only, no. of jobs	16.2	91	89	85
Hrs. worked by production workers in mfg., *ave. weekly*	41.7	107	104	103
Industrial electric power sales	***	85	84	88

Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-June)	Pct Change From Year-Ago Ytd
Residential contracts only	8.9	−12
Nonresidential contracts only	3.8	−70

[1] Lycoming County

establishments. The two largest nonmanufacturing industries, trade and services, accounted for job gains of 500 and 300, respectively. Nonmanufacturing jobs have increased almost non-stop since the early 1980s to stand at a record high 33,200 in the second quarter.

Indicators of construction activity are somewhat mixed. While the value of construction contracts awarded through the first half of this year are down from a year ago, including a 70 percent drop on the nonresidential side, job levels appear to be up. In the "construction and mining" category, job levels are up about 200 so far this year.

Southwestern Quarter

Altoona

The gains realized in the Altoona region during this year's second quarter point to an economy that is expanding at a less-than-blistering pace. Should recent seasonally adjusted gains in the labor force be a sign of things to come, it is questionable whether enough jobs can be generated to reduce unemployment much further.

At 57,800, second quarter's labor force total was up a stronger-than-expected 1,800 from the previous period but the labor force remains below year-ago readings. For the first half of this year, the labor force was down 2.7 percent on an annual basis. Second quarter's 7.2 percent (unadjusted) unemployment rate represents a drop of 2.7 percentage points from a year ago. Contributing to this drop was a reduction of 1,700 residents counted as unemployed. Employment rose by only 300. These trends resulted in a 1986:IIQ-1987:IIQ drop in the labor force of 1,500. On a more positive note, the 53,700 residents counted as employed during the April-June period equals the all-time high set in the first quarters of 1979 and 1980 after discounting normal seasonal trends.

A gain of 1,200 in nonmanufacturing and a drop of 100 in manufacturing resulted in a year-over-year gain in Blair County nonagricultural job levels of 1,100 in the second quarter. Nonagricultural jobs, at 50,500 in the second quarter, fall short of the levels of the late 1970s. Nonmanufacturing jobs have advanced in eight of the past nine quarters, seasonally adjusted, and stood at 39,500 in the second quarter. Construction has been making a contribution to nonmanufacturing's strength. Jobs in the "construction and mining" category have averaged 2,500 per month so far this year, up about 300 from a year ago. At a year-to-date total of $16.8 million, nonresidential contract awards have more than doubled from the first six months of 1986. On the other hand, residential contract values have dropped 58 percent to $5.1 million.

Manufacturing job levels are holding relatively steady near an all-time low. Second quarter's job total, 11,000, is the second lowest April-June reading on record. Still, the "holding pattern" taking shape represents a more desirable situation than the almost continuous manufacturing job losses occurring in the State. Although manufacturing is not adding much to economic growth, it is not subtracting away from growth to the same degree as in the Commonwealth. Electricity sales to industry, a good barometer of industrial production, are essentially unchanged from those which prevailed at the end of the back-to-back recessions in the early 1980s. Prior to that, one must go back to the late 1960s to find electricity sales at that low of a level.

Altoona Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	2 Q.'87	*2 Q.'87*	*1 Q.'87*	*2 Q.'86*
Employment *(in thousands)*				
Employed, no. of residents	53.7	103	102	103
Unemployed, no. of residents	4.2	98	107	142
Rate, seasonally adjusted	7.0			
Civilian labor force, no. of residents	57.8	103	102	105
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	50.5	98	98	96
Nonmfg. only, no. of jobs	39.5	103	103	100
Mfg. only, no. of jobs	11.0	84	83	85
Hrs. worked by production workers in mfg., *ave. weekly*	39.6	104	103	101
Industrial electric power sales	***	77	76	73
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	5.1	– 58		
Nonresidential contracts only	16.8	+ 115		

[1] Blair County

Johnstown

The economy of the Johnstown region continued showing mediocre growth in the second quarter despite being beset by several problems. Until those problems are solved, and there are no signs that they will be anytime soon, current economic conditions will probably not improve.

Of special concern is the sluggish behavior of the labor force. A healthy economy usually attracts labor force entrants. Although the Johnstown region has experienced very slight gains in the labor force in each of the past two quarters after seasonal adjustment, the trend is down. Compared to a year ago, the first half saw the labor force decline 3.4 percent, more than double the Statewide drop. In addition to the sluggish economy, other possible contributing factors include

Johnstown Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	2 Q.'87	*2 Q.'87*	*1 Q.'87*	*2 Q.'86*
Employment *(in thousands)*				
Employed, no. of residents	85.5	89	88	88
Unemployed, no. of residents	7.7	71	73	101
Rate, seasonally adjusted	8.1			
Civilian labor force, no. of residents	93.3	87	87	90
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	78.2	88	88	86
Nonmfg. only, no. of jobs	65.1	97	97	95
Mfg. only, no. of jobs	13.0	60	61	59
Hrs. worked by production workers in mfg., *ave. weekly*	39.0	99	99	96
Industrial electric power sales	***	157	172	156
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	14.9	– 47		
Nonresidential contracts only	11.7	– 72		

[1] Cambria and Somerset Counties

population trends and an increase in "early" retirements.

Employment is up barely from a year ago and has yet to surpass pre-recessionary levels. However, the 85,500 employed residents represent a larger-than-normal gain of 3,500 from the first quarter. Still, it is wise not to get too excited about recent declines in unemployment in light of sluggish employment and labor force trends. The jobless rate fell a seasonally adjusted 0.3 percentage point to 8.1 percent for the quarter and more than three points over the year.

Most new jobs continue to be generated in nonmanufacturing where the 65,100 positions translate into a gain of 1,400 over 1986:IIQ. Service-producing industries have contributed greatly, but the 2.1 percent year-to-date gain falls short of the 3.1 percent advance registered in Pennsylvania. Construction appears to be doing its fair share despite a drop in construction contract values in the first half of the year. So far this year, job levels have averaged 2,600 per month, up from 2,400 during the first half of 1986.

There is some good news in manufacturing as these industries have reached a plateau in terms of jobs. In fact, the 13,000 manufacturing positions maintained in the April-June period represent a gain of 300 from 1986:IIQ. Still, job levels stand very near an all-time low, with no real prospects for significant improvement in sight.

The major structural changes which have rocked the economy over the past several years are evident in the region. A 16.7 percent manufacturing job share for the first half of 1987 is the third lowest among the 15 metro areas in the State. Likewise, a 75 percent service-producing share is exceeded by only four other regions.

Pittsburgh-Beaver Valley

While economic growth in Beaver County was minimal at best in this year's second quarter, trends in the four-county Pittsburgh region suggest that some gains were realized, but a considerable amount of slack remains. Nonagricultural job levels have held relatively steady in the Pittsburgh region since early 1983 in rising only 2.4 percent. Statewide, an 8.4 percent increase occurred. However, this masks two varying performances. As manufacturing jobs have essentially plunged to historic lows (despite two very slight seasonally adjusted gains in the past two quarters, probably due to the USX situation), nonmanufacturing has advanced to new highs. But even here, the performance of the region over the course of the current recovery has not matched the State's.

The situation in Beaver County is not as encouraging as manufacturing's losses have swamped nonmanufacturing's gains. A cessation of manufacturing job losses and a retention of their fair shares of production are extremely important to the future health of both regions. An expanding nonmanufacturing base alongside a stable manufacturing sector should allow the economy to move forward at a healthier pace. But it is much too optimistic to expect a significant rebound in manufacturing jobs. One thing in the regions' favor is a relatively high average factory workweek. In fact, Beaver County had the second highest workweek among the Commonwealth's 15 metro areas and the Pittsburgh area had the third.

In the Pittsburgh region, the jobless rate fell 1.3 percentage points from last year's second quarter to settle at a seasonally adjusted 6.9 percent in this year's April-June period. However, over the same period, employment actually fell slightly. Much the same is true in Beaver County where the jobless rate fell 3.4 points to 10.3 percent. In both areas, labor force reductions have contributed greatly to unemployment declines, which is not an especially encouraging development.

On the construction front, the signals are somewhat mixed. While contract values, for the most part, have declined recently, job levels are up. In this case, the more positive job data probably provide a better indication of underlying trends as the contract figures are subject to wide swings.

Manufacturing comes to mind when one thinks of Pittsburgh and its surrounding communities. But that stereotype is misleading. Manufacturing accounts for 15 percent of all jobs in the Pittsburgh region, a share less than that for such "service" economies as Harrisburg and Philadelphia. In Beaver County, manufacturing's job share fell from 50 percent in 1977 to 20 percent so far this year.

State College

Although construction growth may be slowing, there are few reasons to worry about economic conditions in the State Col-

Pittsburgh[1]-Beaver Valley[2] Area

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	2 Q.'87	*2 Q.'87*	*1 Q.'87*	*2 Q.'86*
Employment *(in thousands)*				
Employed, no. of residents				
Pittsburgh[1]	877.3	101	101	101
Beaver County	55.5	65	65	67
Unemployed, no. of residents				
Pittsburgh[1]	66.2	104	108	125
Beaver County	6.3	100	101	138
Unemployment Rate, seas. adj.				
Pittsburgh[1]	6.9			
Beaver County	10.3			
Civilian labor force, no. of residents				
Pittsburgh[1]	943.5	102	101	103
Beaver County	61.8	67	68	72
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs				
Pittsburgh[1]	857.8	98	98	97
Beaver County	50.7	66	66	67
Nonmfg. only, no. of jobs				
Pittsburgh[1]	730.3	112	112	109
Beaver County	40.9	106	106	105
Mfg. only, no. of jobs				
Pittsburgh[1]	127.4	58	57	60
Beaver County	9.9	26	26	28
Hrs. worked by production workers in mfg., *ave. weekly*				
Pittsburgh[1]	41.8	n.a.	n.a.	n.a.
Beaver County	42.0	n.a.	n.a.	n.a.
Industrial electric power sales	***	57	50	61
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only				
Pittsburgh[1]	197.3	−14		
Beaver County	5.5	−57		
Nonresidential contracts only				
Pittsburgh[1]	282.0	+ 7		
Beaver County	4.0	−54		

[1] Allegheny, Fayette, Washington and Westmoreland Counties

[2] Beaver County

State College Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	2 Q.'87	*2 Q.'87*	*1 Q.'87*	*2 Q.'86*
Employment *(in thousands)*				
Employed, no. of residents	54.7	132	129	129
Unemployed, no. of residents	3.0	112	105	135
Rate, seasonally adjusted	5.1			
Civilian labor force, no. of residents	57.7	131	127	129
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	52.3	129	127	124
Nonmfg. only, no. of jobs	45.0	132	130	126
Mfg. only, no. of jobs	7.3	113	113	115
Hrs. worked by production workers in mfg., *ave. weekly*	39.4	n.a.	n.a.	n.a.
Industrial electric power sales	***	118	108	108
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	33.3	-23		
Nonresidential contracts only	18.9	-27		

[1] Centre County

lege metro area based on trends through the second quarter. Residential construction contracts awarded during this year's first six months were valued at $33.3 million, down 23 percent from a year ago. A 27 percent reduction left nonresidential contract values at $18.9 million. Still, construction job levels have increased from a monthly average of 1,700 in the first half of last year to 1,900 so far this year.

Job levels in Centre County's nonmanufacturing establishments are rising almost continuously and stood at an all-time high of 45,000 in the second quarter after seasonal trends are discounted. The number of positions in these industries rose 4.3 percent in the first half of 1987. This exceeds the 3.3 percent growth rate for all of Pennsylvania. The two largest industries in the region, trade and services, experienced year-to-date job gains of 4.4 and 6 percent, respectively, to lead the way. These increases were stronger than those for the entire State. On the other hand, the region is not escaping the problems facing manufacturing. Second quarter's 7,300 manufacturing positions represent the lowest April-June reading since 1980. But because the manufacturing sector is quite small, these problems do not appear to be as severe as in other areas.

For the most part, the news on the employment/unemployment front is encouraging. The region's seasonally adjusted 5.1 percent jobless rate in the second quarter remained the lowest in western Pennsylvania. Employment is still on an upward trend, but growth has slowed. Last year, employment grew 4.6 percent. So far this year, employment is up 1.3 percent. Still, it settled at an all-time high of 54,700 in the second quarter. Likewise, the labor force has also leveled off, albeit at a record high.

So, while growth has slowed somewhat, the State College regional economy is operating at a historically high level. The only factor that could really be considered a negative is that much of the growth being realized in the region is concentrated in the immediate State College area. Other parts of Centre County lag behind.

Northwestern Quarter

Erie

Without a doubt, economic conditions in the Erie regional economy have improved in recent years. But like the situation in much of the rest of Pennsylvania, economic activity has reached a plateau and has been stuck in neutral for much of the first half of this year.

Unemployment in the region has dropped considerably. Second quarter's seasonally adjusted unemployment rate, 7.2 percent, was less than one-half its level of a few years ago and was down 1.6 points from a year ago. During the January-June period, the number of unemployed fell 1,600 below a year ago. However, employment fell by the same amount. Therefore, the drop in unemployment so far this year is attributable to a drop in the labor force, which is not a healthy development. In fact, the labor force is essentially unchanged from its level at the end of the recession. Statewide, it has grown 1.9 percent.

Nonmanufacturing establishments continued to operate with a record number of workers in the second quarter after seasonal adjustment. There were 76,500 nonmanufacturing positions in the period. The service-producing industries are fueling the expansion and have grown 2 percent so far this year. This trails the 3.1 percent increase for Pennsylvania. Construction is contributing as jobs have averaged 3,100 per month, up from 2,800 a year ago. Contract values for both residential and nonresidential projects are up also.

The news coming from manufacturing remained cloudy. Despite stronger-than-normal job advances in May and June, jobs remain below a year ago. The 34,100 manufacturing positions maintained in the second quarter is the second lowest total on record. On the durable goods side, the region has lost jobs at more than double the Statewide pace so far in 1987. On the other hand, nondurable goods producers have added workers at a 4.4 percent annual clip compared to a Statewide decline.

Manufacturing's difficulties are not surprising in light of the problems facing these industries, most of which are

Erie Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	2 Q.'87	*2 Q.'87*	*1 Q.'87*	*2 Q.'86*
Employment *(in thousands)*				
Employed, no. of residents	116.7	105	105	106
Unemployed, no. of residents	9.8	102	108	126
Rate, seasonally adjusted	7.2			
Civilian labor force, no. of residents	126.5	105	105	108
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	110.7	100	100	99
Nonmfg. only, no. of jobs	76.5	113	112	110
Mfg. only, no. of jobs	34.1	79	80	82
Hrs. worked by production workers in mfg., *ave. weekly*	41.5	102	102	102
Industrial electric power sales	***	108	100	94
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	33.6	+24		
Nonresidential contracts only	31.7	+10		

[1] Erie County

beyond the control of state and local officials. At best, we may see a slowing in job losses. More announcements similar to two made recently relating to expansions and increased orders for local manufacturers are needed to add stability, although their impact on jobs will be minimal.

Sharon

Trends in the Sharon region were varied in the second quarter, but it is safe to say that the positives slightly outweigh the negatives, resulting in mediocre growth. Nonagricultural job levels rose, for once aided by both manufacturing and nonmanufacturing. Unfortunately, job levels fall short of those from the 1975-1982 period, indicating that there is some slack in the economy.

The seasonally adjusted gain in manufacturing job levels was the first since 1985:IVQ as job levels settled at 9,200. Still, these jobs fell 7 percent during the first six months of 1987, so it is too early to think that losses will soon subside. The structure of the Mercer County economy has changed in recent years as manufacturing accounts for 22.3 percent of all nonagricultural jobs compared to 36.1 percent in 1977. While some contend that this diversification has made the economy more "recession-resistant," there are concerns about the wage differentials between the "new" jobs and the "old" jobs.

The best news comes from nonmanufacturing as jobs rose for the twelfth straight quarter after adjusting for seasonality. About 32,300 positions were maintained in these industries in the second quarter for a record high. The year-to-date job gain in this sector, 4.4 percent, exceeds the advance for the State. Jobs in trade and services have grown 5.5 and 6.9 percent, respectively, in 1987's first half. Contract values for construction projects fell in both the residential and nonresidential categories during the first six months of this year. But construction jobs, probably a more reliable indicator, are up.

These trends helped push down second quarter's seasonally adjusted jobless rate to 6.5 percent, its lowest reading since 1979, though some problems remain. So far this year, employment is up a slim 0.1 percent. Over the past four years, employment has grown 3.9 percent, considerably below Pennsylvania's 10.7 percent increase. The labor force appears to be on a long-run downward trend, or at best, has held fairly steady in recent years. This has helped to "artificially" lower unemployment in the region as many of those who left the labor force would have been counted as unemployed had they remained.

Sharon Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	2 Q.'87	*2 Q.'87*	*1 Q.'87*	*2 Q.'86*
Employment *(in thousands)*				
Employed, no. of residents	46.3	96	94	95
Unemployed, no. of residents	3.4	80	99	100
Rate, seasonally adjusted	6.5			
Civilian labor force, no. of residents	49.6	95	94	96
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	41.5	91	90	90
Nonmfg. only, no. of jobs	32.3	111	109	106
Mfg. only, no. of jobs	9.2	56	55	60
Hrs. worked by production workers in mfg., *ave. weekly*	41.6	n.a.	n.a.	n.a.
Industrial electric power sales	***	111	94	101
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	3.7	-63		
Nonresidential contracts only	4.2	-73		

[1] Mercer County

Southeastern Quarter

Harrisburg-Lebanon-Carlisle

The news in the four-county Harrisburg-Lebanon-Carlisle area was mostly positive during the second quarter. Of special importance is that the region is outperforming the State as a whole in just about every measure of economic activity. In fact, this is true for much of southeastern Pennsylvania.

Employment of the region's residents totaled 296,000 in the second quarter for an all-time high. Through the first six months of 1987, employment grew by 2.7 percent, identical to last year. This is encouraging in that growth has dropped in the Commonwealth. Labor force growth, however, has slowed recently, totalling just 0.6 percent so far this year. Throughout the Commonwealth, the labor force has declined.

Continued strength in employment combined with a stable labor force lowered second quarter's unemployment rate about 2 percentage points from last year. The seasonally adjusted 3.2 percent reading for the period is the second lowest among the State's 15 metro areas.

More good news is found in manufacturing where job levels are holding steady. The 50,800 jobs in these industries during the second quarter represent an annual gain of 900. Both durable and nondurable goods industries have realized slight job gains. Industrial power sales, an indicator of production trends, fell in the second quarter, the first decline since 1986:IQ. However, the trend is still up.

Harrisburg-Lebanon-Carlisle Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	2 Q.'87	*2 Q.'87*	*1 Q.'87*	*2 Q.'86*
Employment *(in thousands)*				
Employed, no. of residents	296.0	118	117	114
Unemployed, no. of residents	9.9	64	66	106
Rate, seasonally adjusted	3.2			
Civilian labor force, no. of residents	306.0	115	114	114
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	293.5	118	118	114
Nonmfg. only, no. of jobs	242.8	126	125	121
Mfg. only, no. of jobs	50.8	93	94	92
Hrs. worked by production workers in mfg., *ave. weekly*	39.6	n.a.	n.a.	n.a.
Industrial electric power sales	***	75	77	67
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	101.8	- 2		
Nonresidential contracts only	225.0	+207		

[1] Cumberland, Dauphin, Lebanon, and Perry Counties

While manufacturing is not holding the economy back to the same degree as in the State, nonmanufacturing continues to add jobs at a healthy rate. For the second quarter, 242,800 nonmanufacturing positions were maintained, another record high. Through the first six months of this year, the number of jobs in this sector has grown 4.1 percent compared to 3.3 percent for Pennsylvania. Service-producing jobs have grown 3.8 percent in providing the bulk of all new jobs.

Construction is also having a positive influence on the economy. Nonresidential contract values tripled during the first half of the year while residential awards held steady in dollar terms. Construction jobs have averaged 11,300 per month this year, up 1,100 from a year ago.

Lancaster

A strong case may be made which claims that the strongest regional economy in the Commonwealth is found in Lancaster County. Sitting at the top of the list of evidence would be the lowest jobless rate in the State, a seasonally adjusted 2.5 percent during the second quarter. Unemployment is declining at the same time as the labor force is expanding. Employment grew by 4,800 to a record high between the second quarters of 1986 and 1987. This was strong enough to absorb a rise in the labor force of 2,400 and reduce unemployment by 2,400.

So far this year, the number of jobs in the Lancaster region's nonagricultural establishments have advanced 4.6 percent as both manufacturing and nonmanufacturing made a contribution. Manufacturing job levels are running just below the record high set in 1979 despite a smaller-than-normal gain in the second quarter. This comes while the State sets a new low almost every month. Two other indicators of manufacturing's health, industrial electricity sales and the average workweek, also stood at or near record highs in the second quarter.

Nonmanufacturing jobs grew 5.5 percent during the first six months of 1987, considerably higher than the Statewide advance. These jobs have increased almost nonstop since 1983, setting a new record nearly each month, and stood at 120,200 during the April-June period. Jobs in the largest industry, trade, have grown 4.1 percent on a year-to-date basis. Construction is more than holding its own as job levels have increased 13.6 percent this year and nonresidential construction contracts have advanced by one-third in value. However, residential contract awards have dipped by about one-fifth compared to the first half of 1986.

The Lancaster region is not usually thought of as a manufacturing economy but the 33.6 percent share of all nonagricultural jobs accounted for by these industries is the second largest share among Pennsylvania's 15 metropolitan areas. At the same time, the 60.7 percent share for service-producing industries is the second lowest.

Lancaster Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	2 Q.'87	*2 Q.'87*	*1 Q.'87*	*2 Q.'86*
Employment *(in thousands)*				
Employed, no. of residents	204.9	131	129	128
Unemployed, no. of residents	5.3	66	58	96
Rate, seasonally adjusted	2.5			
Civilian labor force, no. of residents	210.2	127	125	126
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	180.1	127	126	121
Nonmfg. only, no. of jobs	120.2	141	139	134
Mfg. only, no. of jobs	59.9	105	106	103
Hrs. worked by production workers in mfg., *ave. weekly*	40.2	102	102	101
Industrial electric power sales	***	132	128	128
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	99.7	−17		
Nonresidential contracts only	35.7	+38		

[1] Lancaster County

Philadelphia

The Philadelphia region continued posting impressive numbers during the second quarter as growth in the service-producing area drove the economy. It has been the positive trends in this eight-county region and the rest of southeastern

Philadelphia Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	2 Q.'87	*2 Q.'87*	*1 Q.'87*	*2 Q.'86*
Employment *(in thousands)*				
Employed, no. of residents	2273.7	121	119	119
Unemployed, no. of residents	110.2	60	61	73
Rate, seasonally adjusted	4.5			
Civilian labor force, no. of residents	2383.8	116	114	115
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	2157.1	118	117	114
Nonmfg. only, no. of jobs	1777.5	128	127	123
Mfg. only, no. of jobs	379.3	85	85	86
Hrs. worked by production workers in mfg., *ave. weekly*	40.6	103	103	101
Industrial electric power sales	***	105	100	104
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	865.4	+ 3		
Nonresidential contracts only	906.6	+44		

[1] Bucks, Chester, Delaware, Montgomery, and Philadelphia Counties, Pa., and Burlington, Camden, and Gloucester Counties, N.J.

Reading Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	2 Q.'87	*2 Q.'87*	*1 Q.'87*	*2 Q.'86*
Employment *(in thousands)*				
Employed, no. of residents	159.9	118	117	117
Unemployed, no. of residents	8.4	81	84	134
Rate, seasonally adjusted	4.3			
Civilian labor force, no. of residents	168.3	116	115	118
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	148.0	112	112	109
Nonmfg. only, no. of jobs	99.8	123	122	118
Mfg. only, no. of jobs	48.1	95	95	94
Hrs. worked by production workers in mfg., *ave. weekly*	40.5	104	105	103
Industrial electric power sales	***	133	129	126
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	49.5	−25		
Nonresidential contracts only	18.9	−61		

[1] Berks County

Pennsylvania which have offset weaknesses elsewhere to drive the State's economy forward at a modest pace.

While nonagricultural jobs have grown at a 3 percent clip so far this year, service-producing industries have increased the number of positions on payroll by 3.7 percent. Both increases exceed those for the State. Along with some help from construction where job levels are up 13.5 percent from the first half of 1986 and the value of contracts awarded show gains, especially on the nonresidential side, this brought about the 22*nd* consecutive quarterly gain in nonmanufacturing job levels after discounting seasonal trends. All told, there were 1.78 million nonmanufacturing positions during the April-June period.

Manufacturing continues to lose jobs, just as it has for the past 30 months following a brief recovery from the recessions of the early 1980s. Over that period, however, the job decline has not been as severe in the region as it has in the State. Still, the 379,300 second quarter positions represent an all-time low after adjusting for seasonality and job levels have declined about one-third from their peak in the mid 1960s. This year, durable goods industries have lost 3 percent of their jobs while nondurable goods jobs fell 0.8 percent.

Despite these difficulties, the overall favorable trends in the economy have resulted in a solid showing on the employment/unemployment front. Through the first six months of this year, resident employment has expanded at a 1.4 percent annual rate. Although this represents a fall-off in growth from last year's 3.9 percent gain, it is better than the 0.3 percent increase experienced in the State. Furthermore, over the course of the current recovery, employment gains in the Philadelphia area have been considerably stronger than in Pennsylvania.

These gains have helped drive down unemployment. The seasonally adjusted 4.5 percent jobless rate in the second quarter was the lowest reading since the first half of 1970.

It is quite unlikely that economic activity in the region will decline anytime soon. Growth may slow, but the economy will remain operating at a historically high level. One development that would help is a stabilization in the manufacturing sector, thereby taking some of the pressure off the service-producing industries.

Reading

Economic conditions in the Reading area remained positive in the second quarter, but a few soft spots remain which need to be monitored. Despite these concerns, there is nothing on the horizon indicating that the economy will run into major difficulties in the near future.

Like the situation in several other regions of the Commonwealth, employment and labor force growth slowed through the first half of 1987 in Berks County. Employment expanded 1.3 percent between the first six months of 1986 and 1987 following a 2.8 percent gain last year. Still, the 159,900 residents counted as employed in the second quarter represent a record high after normal seasonal trends are factored out. At the same time, the labor force declined 1.6 percent during the first half of this year after growing 1.8 percent in 1986. Second quarter growth did pick up slightly however. Because of this rather sluggish performance on the labor force front, the 2.8 percentage point drop from 1986:IIQ in the jobless rate to a seasonally adjusted 4.3 percent in the April-June period should be viewed with caution.

York Area[1]

	Ave. mo. value *2 Q '87*	Average monthly index seas. adj. (1977 = 100) *2 Q '87*	 *1 Q '87*	 *2 Q '86*
Employment *(in thousands)*				
Employed, no. of residents	196.8	128	127	127
Unemployed, no. of residents	8.8	81	75	114
Rate, seasonally adjusted	4.0			
Civilian labor force, no. of residents	205.7	125	124	126
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	168.0	118	118	115
Nonmfg. only, no. of jobs	110.8	134	133	129
Mfg. only, no. of jobs	57.1	96	96	97
Hrs. worked by production workers in mfg., *ave. weekly*	42.3	103	103	101
Industrial electric power sales	***	109	113	110
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	69.0	0		
Nonresidential contracts only	35.8	−25		

[1] Adams and York Counties

While manufacturing continues to lose jobs in the State, the situation may be bottoming out in the Reading area. In fact, the 48,100 positions in these establishments in the second quarter translate into a gain of 500 jobs from a year ago. All of the gains which have occurred this year have been in the nondurable goods industries. Although manufacturing may be stabilizing, it is best to avoid being too optimistic about future prospects. Job levels remain just barely above all-time lows and are 11.9 percent below pre-recessionary readings. It is quite unlikely that they will rise significantly anytime soon, but even if they hold steady it will be an improvement over recent trends.

The situation is much more encouraging on the nonmanufacturing side where job levels continue to advance, just as they have almost continuously since 1983. Second quarter estimates show that there were 99,800 nonmanufacturing positions in the region for another record high. So far this year, nonmanufacturing job levels have increased 4.8 percent above year-ago readings compared to 3.3 percent for the entire State. In the largest industry, trade, jobs have advanced at a 3.7 percent annual clip. Although the value of construction contracts awarded declined for both residential and nonresidential projects in this year's first half, these data are subject to wide swings and the best guess is that activity is up, in part based upon a rise in jobs.

York

The economy of the York metro area continued to expand in the second quarter. Although it would be helpful if manufacturing could contribute more to economic growth, should these industries just hold their own, which they appear to be doing, nonmanufacturing will probably generate enough new activity to keep the economy moving forward.

During the second quarter, job levels in nonmanufacturing establishments stood at 110,800, a new record. After adjusting for seasonality, the number of positions in these industries have increased 19 straight quarters. For the year, nonmanufacturing jobs are up 4 percent. As elsewhere, service-producing industries are making the greatest contribution. Of the 4,200 jobs added to nonmanufacturing payrolls this year, 3,500 have come in these establishments.

The remainder have come in construction as job levels averaged 8,500 per month during this year's first half, up from 7,800 in 1986. Hence, the behavior of contracts awarded, unchanged on the residential side and down 25 percent on the nonresidential side on a year-to-date basis, probably does not provide an adequate overview of trends.

Although the growth in manufacturing is not as robust, these industries do appear to be better off in the two-county region than in the Commonwealth. So far this year, jobs are off about 700. However, over the past four years, which essentially encompasses a recovery period for the overall economy, job levels have increased 3.5 percent in the region compared to a 4.6 percent decline in Pennsylvania. Although they have fluctuated, industrial power sales, which are a good measure of production trends, have been on a general upward trend since 1983 and stand just below record high readings. Also, the average factory workweek, 42.3 hours, is the highest among the State's 15 metro regions.

At a seasonally adjusted 4 percent, second quarter's unemployment rate was the third lowest in the State and falls 1.5 percentage points below a year ago. Over that same period, employment rose by 1,200 while unemployment fell by 3,200. Hence, a good deal of the drop in unemployment is attributable to a drop of 2,000 in the labor force, which does not usually occur in a sound economy. After seasonal ups and downs are discounted, employment stands at a record high in the region.

— *William D. Anderson*

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LEADING AND COINCIDENT INDEXES TELL THE STORY

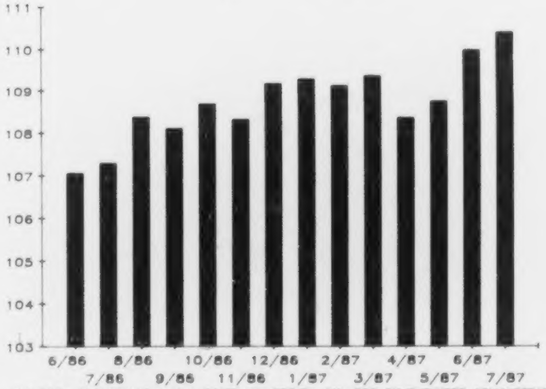
For the most part, **economic conditions in the Commonwealth remained unchanged during July** as evidenced by the Pennsylvania index of coincident indicators which held steady for the month. Additionally, most signals suggest that more of the same type of moderate growth that has been realized over the past several months is in store for the future, with no prospects for any noticeable downturn or rebound in sight. These expectations are backed up by trends in the index of leading indicators which has been on a slightly upward track lately.

Conditions on the employment/unemployment front were little changed during July. The jobless rate, at a seasonally adjusted 5.7 percent, was identical to the June reading as the changes in employment, the labor force, and the number of unemployed were minimal. However, compared to a year ago, some improvement is noticeable as the jobless rate was down 0.9 percentage point. **Over the 12-month period, employment rose by 55,000 and unemployment fell by the same amount as the labor force held steady.**

These year-over-year developments are quite welcome and represent some improvement over recent trends. Through the first seven months of 1987, resident employment in Pennsylvania was up just 0.4 percent from the same period in 1986. However, over the July 1986-July 1987 period, employment was up 1 percent. Much the same is true for the labor force which was down 1.3 percent on a year-to-date basis over the first seven months of the year before holding steady over the 12-month period ending in July. Hopefully, these trends are signs that the recent lackluster performance in terms of employment and labor force gains will soon improve, although several months of positive news will be required to arrive at this conclusion.

The vast majority of **all new jobs are being generated in the service-producing industries.** Healthy job gains continue to be recorded in the trade, finance, and services industries. In fact, year-to-date job gains in each of these industries exceed the 2.2 percent increase for all nonagricultural industries by at least 1.5 percentage points. The job advances realized in the services industries have been especially impressive. So far this year, services jobs are up 4.3 percent from the first seven months of 1986. The accompanying chart shows that, in percentage terms, the big gainers have been the legal, social, and business services industries. However, of these three, only business services accounts for a significant share of all jobs in the services industry (16.4 percent in 1986). Together, legal and social services account for less than 10 percent of all services jobs. The largest industry, health services, with over 400,000 jobs, has realized a 4 percent job gain so far this year.

PENNSYLVANIA COMPOSITE INDEX
OF LEADING INDICATORS
(Jan 1972=100)

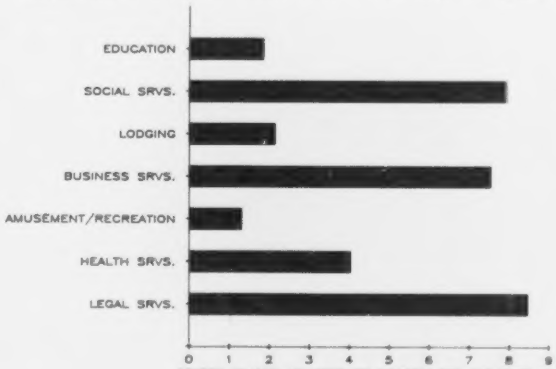


SOURCE: THE PENNSYLVANIA STATE UNIVERSITY, COLLEGE OF BUSINESS ADMINISTRATION

In contrast to these positive trends, **the job situation in manufacturing remains worrisome.** So far this year, job levels are off 1.9 percent from the same period in 1986. In nonmanufacturing, a 3.4 percent gain has occurred. **On the plus side, manufacturing's job performance so far this year does represent some improvement from last year's 3.7 percent job loss.** Additionally, after adjusting for seasonality, job levels rose during July. Normally, manufacturing jobs decline by 13,200 simply for seasonal reasons during the month. This year, the loss came in at just 8,400. Hence, manufacturing job levels rose by 4,800 after adjusting for seasonality, from 1.03 million in June to 1.04 million in July. This is the first such gain since March of this year when USX workers were returning to their jobs following the resolution of their labor dispute.

As an aside, **some contend that it is incorrect to think of Pennsylvania as being a "manufacturing" State in light of the major structural changes taking place in the economy. Some of the evidence, however, suggests otherwise.** While our traditional goods producing industries account for a smaller and smaller share of total employment, in relative terms, the Commonwealth is still much more reliant upon these industries for jobs than in the nation as a whole. One way to measure this reliance is to examine a statistic called a "location quotient" (see table). These quotients are calculated by simply dividing the share of all nonagricultural jobs accounted for by a specfic industry in Pennsylvania by the job share accounted for by that industry at the national level. If the result is equal to one, it tells us that the shares are identical. If it is less than one, than it may be concluded that Pennsylvanians are less reliant upon that industry for jobs than in the nation as a whole while just the opposite is true when the location quotient is greater than one. In comparing location quotients for individual manufacturing industries in Pennsylvania for 1972 and 1986, it is apparent that, for the most part, we are less reliant upon these industries for jobs. However, relative to the U.S., we are still heavily dependent on these industries. For instance, in the case of primary metals, our location quotient has declined from 3 in 1972 to 2.5 in 1986. In other words, the percentage of jobs ac-

1987 JOB GAINS IN PA SERVICES INDUSTRIES
(percentage change from first 7 months of 1986)



SOURCE: PA DEPT. OF LABOR AND INDUSTRY; RES. AND STATS. DIV.

Economic Activity in Pennsylvania	UNADJUSTED DATA 1987 June	UNADJUSTED DATA 1987 July	UNADJUSTED DATA 1986 July	SEASONALLY ADJUSTED DATA 1987 June	SEASONALLY ADJUSTED DATA 1987 July	SEASONALLY ADJUSTED DATA 1986 July	SEASONALLY ADJUSTED INDEXES (1977 = 100) 1987 June	SEASONALLY ADJUSTED INDEXES (1977 = 100) 1987 July	SEASONALLY ADJUSTED INDEXES (1977 = 100) 1986 July
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	4,954*	4,937	4,810	4,913*	4,928	4,785	107.6*	107.9	104.8
Nonmanufacturing									
No. of wage and salary jobs (thous.)	3,907*	3,898	3,747	3,880*	3,889	3,737	120.4	120.6	115.9
Mining	32	31	34	31*	30	33	63.7*	62.3	68.3
Contract construction	234	245	224	224	227	207	121.5*	123.3	112.3
Transportation	139	132	134	138*	137	139	85.9*	85.0	86.1
Public Utilities	106	106	103	106	105	102	104.9	104.4	101.2
Wholesale trade	272	274	261	271	272	259	122.1	122.8	116.8
Retail trade	871	870	836	867	870	836	120.9	121.3	116.5
Finance, insurance & real estate	291	291	283	288	287	279	132.5	131.9	128.0
Service & miscellaneous	1,278	1,282	1,226	1,269	1,277	1,222	147.1	148.1	141.7
Federal government	141	141	140	140	139	138	109.2	108.6	107.8
State & local government	544	526	506	546	543	523	93.7	93.2	89.8
Manufacturing									
No. of wage and salary jobs (thous.)	1,045*	1,037	1,046	1,034	1,039	1,048	77.0*	77.4	78.1
Durable goods	593	590	598	585	589	596	72.2	72.8	73.6
Nondurable goods	453*	447	449	450*	451	453	84.5*	84.7	85.1
Ave. wkly. hrs. worked by prod. workers	41.1	40.8	40.0	41.0	40.9	40.1	103.7	103.5	101.5
Total wkly. person-hours worked (mils.)	29.2	28.7	28.0	28.7	28.9	28.2	74.9	75.2	73.5
Total wkly. payroll (mil. dols.)	290.8*	285.0	272.9	286.5*	287.3	274.8	127.5*	127.9	122.3
Steel production (thous. tons)	1,008	989	761	n.a.	n.a.	n.a.	46.2	49.9	38.3
Industrial electric power sales (mil. kwh)	3,700	3,737	3,568	3,627	3,748	3,557	98.2	101.5	96.3
Mining									
Anthracite coal (thous. net tons)	385	271	298	376	250	276	77.0	51.3	56.4
Bituminous coal (thous. net tons)	4,753	n.a.	4,653†	4,494	n.a.	4,507†	63.7	n.a.	63.9†
Construction contracts awarded (mil. dols.)									
Total	1203.3	873.9	891.7*	976.5	668.5	771.5*	303.5	207.8	239.8*
Residential building	357.1	464.7	374.4*	277.8	363.1	299.5*	197.4	258.0	212.8*
Nonresidential building	502.4	278.9	269.7*	454.1	201.9	202.0*	418.6	186.1	186.2*
Nonbuilding (utilities and public works)	343.8	130.3	247.4*	244.6	103.5	270.0*	337.5	142.8	372.5*
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,359	5,453	5,398	5,309	5,298	5,241	110.5	110.2	109.1
Unemployed									
No. of persons (thous.)	354	335	389	320	322	376	79.8	80.2	93.7
Rate (percentage of labor force)	6.2	5.8	6.7						
Rate, seasonally adjusted				5.7	5.7	6.7			
Civilian labor force, no. of persons (thous.)	5,713	5,787	5,787	5,629	5,620	5,617	108.1	107.9	107.9
Initial claims for unemployment benefits	84,738	93,945	120,699	97,059	88,357	113,016	67.8	61.7	78.9

Consumer Prices, all items	Urban Indexes (1967 = 100) 1987 June	Urban Indexes (1967 = 100) 1987 July	Urban Indexes (1967 = 100) 1986 July	Percentage Change Month Ago	Percentage Change Year Ago
U.S. city average	340.1	340.8	328.0	+0.2	+3.9
Philadelphia	339.0	339.1	323.0	+0.0	+5.0
Pittsburgh	338.9	n.a.	328.6†	n.a.	+3.1

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[1] Total includes workers on strike. * = figure revised † = figure for June 1986 n.a. = data not available
SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

Location quotients for PA manufacturing industries

	1972	1986		1972	1986
Durables			Nondurables		
Lumber & wood prods.	0.57	0.78	Food & kindred	1.05	1.16
Furniture & fixtures	0.78	0.86	Tobacco mfgs.	1.67	0.56
Stone, clay & glass	1.61	1.67	Textile mill prods.	1.07	0.90
Primary metals	3.00	2.50	Apparel & other textiles	1.97	1.75
Fabricated metals	1.30	1.32	Paper & allied	1.09	1.25
Machinery, exc. elect.	1.16	1.07	Printing & publishing	1.10	1.12
Electric & elect. eq.	1.23	0.96	Chemicals & allied prods.	0.98	1.18
Transportation equip.	0.64	0.61	Petroleum & coal prods.	1.70	1.32
Instruments & related	1.10	1.05	Rubber & misc. plastics	1.03	0.99
			Leather & leather prods.	1.42	1.44

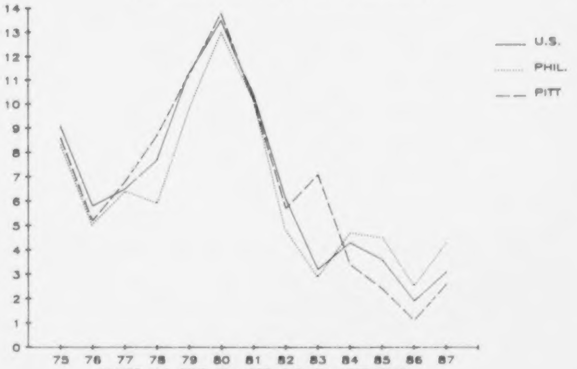
Source: Center for Regional Business Analysis

counted for by primary metals in Pennsylvania is still 2.5 times as high as in the U.S.

A look at the inflation picture also highlights some interesting trends. Unfortunately, no real price data are available for all of Pennsylvania. The only available information is found in the Pittsburgh and Philadelphia consumer price index series. (A CPI series for northeast Pennsylvania was recently discontinued.) While both series behave in the same way with respect to each other and the U.S., an interesting change occurred in the early 1980s (see chart). Over the 1975-1983 period, inflation, as measured by the percentage change in the CPI, was higher in Pittsburgh than in the Philadelphia region. Since then, the opposite has been true. Economic theory tells us that **as activity expands, price pressures result, leading to relatively higher rates of inflation. This theory seems to hold in terms of the Pittsburgh/Philadelphia situation.** Prior to the early 1980s, the unemployment rate, which is a reasonable measure of overall economic activity, in Pittsburgh stood well below that for the Philadelphia metro area. However, the strong recovery in recent years in the southeast has pushed the jobless rate for Philadelphia below the Pittsburgh region's.

— William D. Anderson

U.S. PHILADELPHIA, AND PITTSBURGH INFLATION RATES
(percent change in the CPI)



SOURCE: U.S. DEPT. OF LABOR, BUR. OF LABOR STATS.

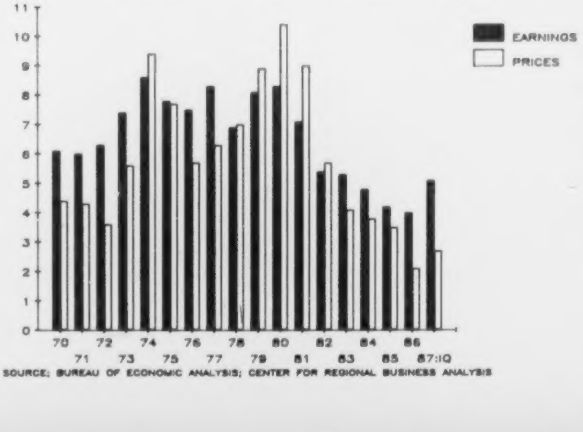
Personal Income Report

Most measures suggest that income growth in Pennsylvania continues to lag national trends based on data through this year's first quarter, the most recent period for which information is available. In totalling a seasonally adjusted $169.2 billion for the January-March period, personal income was up 1.1 percent from last year's fourth quarter and 3.3 percent from a year ago. Nationally, the gains came to 1.7 and 4.6 percent. A similar shortfall occurred with respect to nonfarm personal income. Although the growth in Pennsylvania wages and salaries from the fourth quarter fell short of the gain for the U.S., the annual increase, at 4.9 percent, equalled the nation's rise.

A recent study released by the U.S. Department of Commerce's Bureau of Economic Analysis sheds additional light on Pennsylvania's performance relative to that of the U.S. Over the 1979-1986 period, per capita (per person) personal income grew 6.8 percent in Pennsylvania and 7.1 percent in the U.S. on an average annual basis. Pennsylvania per capita personal income was equal to the national average in 1979, but was only 97 percent of the nation's in 1986. Growth in total personal income over the same period, at an average annual rate of 6.8 percent in Pennsylvania, fell short of the nation's 8.2 percent. Finally, the study showed that the Commonwealth's share of U.S. personal income fell from 5.3 percent in 1979 to 4.8 percent in 1986.

As shown in the accompanying chart, price gains (as measured by the implicit price deflator for personal consumption expenditures) have negated a sizeable portion of income gains. Since 1970, earnings, on a per worker basis, have in-

GROWTH IN PA EARNINGS PER WORKER AND PRICES
(percent change from year ago)



SOURCE: BUREAU OF ECONOMIC ANALYSIS; CENTER FOR REGIONAL BUSINESS ANALYSIS creased about 190 percent. Over the same period, prices rose by about 160 percent. Price advances in the late 1970s and early 1980s took an especially large bite out of earnings gains. On the plus side, income gains over the past four years in Pennsylvania have surpassed inflation, resulting in a rise in "real" purchasing power. However, even here, we find some evidence of uneveness in the Commonwealth's performance. The July *Survey* pointed out the fact that real earnings in the manufacturing sector were barely holding steady.

Pennsylvania personal income (seas. adj. ann. rates; millions of dollars)

		Pct. change	
	Personal income	Qt. ago	Yr. ago
1987:IQ	169,225	1.1	3.3
1986:IVQ	167,466	0.5	3.6
1986:IQ	163,753	1.3	4.4

Source: U.S. Dept.of Commerce,
Bur. of Econ. Analysis

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Retail Sales Report

Retail trade remains a bright spot in the Pennsylvania economy as strong gains in retail sales were again recorded in this year's second quarter. For the April-June period, sales totalled $18.4 billion, a gain of 8.6 percent from the same period in 1986. Impressive gains were recorded in both the durable (up 11.1 percent) and nondurable (up 7.2 percent) goods categories. Additionally, as has been the case for the past several quarters, retail sales growth in Pennsylvania was stronger than that for the U.S. during the period. Second quarter trends represent a considerable improvement from the first three months of the year when retail sales expanded at a 4.7 percent annual rate. The relatively sluggish retail sales growth in the first quarter (the annual gain was the slowest since 1985:IQ) may have resulted from extra caution on the part of consumers because of the new set of federal tax laws. Hence, as consumers became more comfortable with the new "rules of the game," spending picked up in the second quarter.

Even when price gains are discounted, the picture for the Commonwealth appears bright. Recent gains in retail sales have outpaced advances in prices resulting in advances in "real" or inflation-adjusted retail sales. Hence, not only is the dollar volume of retail sales on the rise, but the physical volume is increasing as well.

Pennsylvania retail sales (millions of dollars)

	Retail sales	Pct change from yr ago	Durable goods	Pct change from yr ago	Nondur goods	Pct change from yr ago
1987 IIQ	18,419	8.6	6,902	11.1	11,517	7.2
1987 IQ	15,544	4.7	5,264	9.8	10,280	2.2
1987 YTD	33,963	6.8	12,166	10.5	21,797	4.8

June data is preliminary.
Source: U.S. Dept. of Commerce, Bureau of the Census

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SOME SIGNS POINT TO A SLIGHT IMPROVEMENT

Over the past few months, **there have been signals that economic activity has been on the rise in Pennsylvania.** Similarly, most indicators point to an uptick in activity in the nation as a whole. This pattern fits quite nicely with our expectations for moderate growth in the Commonwealth with month-to-month ups and downs. Currently, the economy is in one of the "up" phases.

This growth spurt is evident in the resident employment data. After growing at very sluggish annual rates of 0.1 and 0.5 percent in the first and second quarters, respectively, resident employment expanded at a 1.5 percent annual rate in July and August. Compared to a year ago, employment in August was up 103,000. This gain was strong enough to absorb an increase of 40,000 in the labor force and reduce the number of unemployed by 63,000. In fact, these figures, which are always the first piece of "economic" news released at the State level, show further improvement for the month of September. **Through the first eight months of this year, Pennsylvania's unemployment rate has averaged 5.9 percent, down from 7.4 percent in the first eight months of 1986. As shown in the accompanying table, this is the second steepest drop among the 11 largest states,** trailing only New York's 1.6 percentage point decline.

However, **there is also cause for concern when examining Pennsylvania's year-to-date performance relative to these states.** Over the January-August period, employment of Pennsylvania's residents was up just 0.6 percent from the first eight months of last year (see table). This represents the weakest showing among all 11 states with comparable data. We often take great pride in the fact that our jobless rate has dropped below those of such "growth" states as California and Texas. But our optimism should be tempered in light of the fact that employment in those states has grown at annual rates of 4.1 and 3.4 percent, respectively, considerably better than our performance here in Pennsylvania. On the labor force front, Pennsylvania is the only state to record a decline over the period. Indeed, Pennsylvania's numbers show just how careful one must be in interpreting the monthly employment data. While employment has grown 32,000 on a year-to-date basis this year, unemployment has dropped 89,000, resulting in a fall of 57,000 in the labor force.

Nonagricultural job levels continue their modest expansion in the Commonwealth as gains in the nonmanufacturing sector, especially in the service-producing area, continue to offset losses in manufacturing. The good news is that **the number of positions in our nonagricultural establishments has been at a record high in each of the past 9 months and settled at a seasonally adjusted 4.93 million in August, up 1,000 from July and nearly 120,000 from the year-ago reading. Again, the bad news appears when we examine our performance relative to the nation's.** So far this year, nonagricultural job levels have increased by 2.2 percent in the Commonwealth, quite similar to the 2.4 percent rise in the U.S. However, over the course of the recovery, the U.S. gain, at 13 percent since the 1982/1983 period, is nearly twice as large as the 7.3 percent job gain in Pennsylvania.

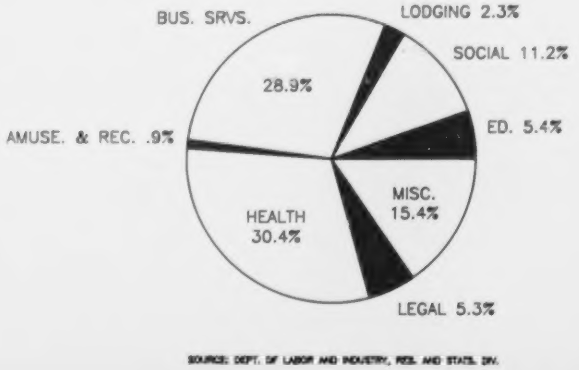
Last month's *Survey* identified the legal, social, and business services industries as exhibiting the strongest job growth rates among all services industries so far this year. The accompanying chart looks at the situation in a slightly different manner in examining the absolute number of jobs generated

1986-1987 (Jan.-Aug. period) labor force, employment, and unemployment growth for the 11 largest states (in thousands; numbers in parenthesis represent pct. changes)

	Labor force	Employment	Unemployment	Unemployment rate (percent) 1986	Unemployment rate (percent) 1987
CA	417 (3.1)	508 (4.1)	– 91 (– 9.9)	6.9	6.0
FL	289 (5.2)	293 (5.6)	– 4 (– 1.2)	5.8	5.4
IL	2 (0.0)	42 (0.8)	– 40 (– 8.2)	8.5	7.8
MA	22 (0.7)	35 (1.2)	– 13 (–10.7)	4.0	3.5
MI	145 (3.3)	160 (4.0)	– 16 (– 4.0)	9.2	8.5
NJ	61 (1.6)	102 (2.8)	– 42 (–20.0)	5.4	4.3
NY	93 (1.1)	225 (2.9)	–133 (–23.9)	6.6	5.0
NC	95 (3.0)	113 (3.7)	– 18 (–10.1)	5.4	4.8
OH	12 (0.2)	48 (1.0)	– 36 (– 8.2)	8.3	7.6
PA	–57 (–1.0)	32 (0.6)	– 89 (–21.3)	7.4	5.9
TX	267 (3.3)	247 (3.4)	20 (2.7)	8.9	8.8

Source: U.S. Dept. of Labor, Bur. of Labor Stats.

1986-1987 PA SERVICES JOB GROWTH SHARES

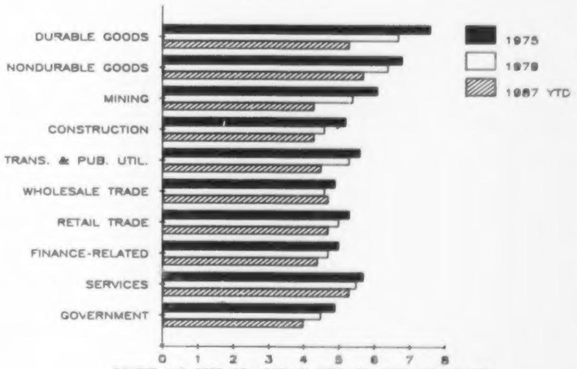


SOURCE: DEPT. OF LABOR AND INDUSTRY, RES. AND STATS. DIV.

by the individual services industries. The health and business services industries lead the way in generating nearly 60 percent of all new services jobs between the first eight months of 1986 and 1987. The other big contributors are the "miscellaneous" and "social services" categories in contributing over 25 percent of all new jobs.

Furthermore, despite the fact that job levels are on the upswing in all Pennsylvania industries except manufacturing and mining, **the Commonwealth continues to lose ground relative to the U.S. in nearly all industries,** as shown in the accompanying chart. Pennsylvania's share of U.S. jobs has fallen nearly continuously in all industry groupings except wholesale trade over the past decade or more. In wholesale trade, there was a slight improvement in the job share between 1979 and this year. This may be the result

PA'S SHARE OF U.S. JOBS BY INDUSTRY
(percent)



SOURCE: U.S. DEPT. OF LABOR; PA DEPT. OF LABOR AND INDUSTRY

Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1987		1986	1987		1986	1987		1986
	July	*August*	*August*	*July*	*August*	*August*	*July*	*August*	*August*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	4,937	4,943	4,829	4,928	4,929	4,810	107.9	108.0	105.4
Nonmanufacturing									
No. of wage and salary jobs (thous.)	3,899*	3,899	3,774	3,890*	3,893	3,767	120.7*	120.8	116.9
Mining	31	31	34	30	30	33	62.5*	62.3	68.3
Contract construction	245	248	227	227	229	207	123.3	124.3	112.7
Transportation	133*	134	134	138*	138	139	85.6*	85.7	86.1
Public Utilities	107*	107	103	105	106	102	104.7*	105.1	101.4
Wholesale trade	275*	275	262	273*	274	260	123.1*	123.4	117.4
Retail trade	870	874	841	870	871	839	121.2*	121.5	117.0
Finance, insurance & real estate	293*	293	284	289*	289	280	132.6*	132.6	128.7
Service & miscellaneous	1,283*	1,283	1,227	1,278*	1,281	1,225	148.2*	148.5	142.0
Federal government	141	143	139	139	142	138	108.7*	110.9	107.9
State & local government	522*	513	524	540*	535	545	92.6*	91.8	93.6
Manufacturing									
No. of wage and salary jobs (thous.)	1,036*	1,042	1,049	1,038*	1,036	1,043	77.4	77.2	77.7
Durable goods	590	591	594	589	589	592	72.7*	72.8	73.1
Nondurable goods	447	451	455	451	447	451	84.7	84.0	84.8
Ave. wkly. hrs. worked by prod. workers	40.8	41.0	40.2	40.9	41.2	40.4	103.5	104.2	102.2
Total wkly. person-hours worked (mils.)	28.6*	29.0	28.6	28.8*	29.0	28.5	75.0*	75.5	74.3
Total wkly. payroll (mil. dols.)	284.0*	289.7	277.5	286.3*	290.9	278.6	127.4*	129.5	124.0
Steel production (thous. tons)	993*	1,051	581	n.a.	n.a.	n.a.	50.0*	55.3	30.5
Industrial electric power sales (mil. kwh)	3,737	3,827	3,341	3,748	3,770	3,334	101.5	102.1	90.3
Mining									
Anthracite coal (thous. net tons)	271	281	330	250	247	292	51.3	50.6	59.8
Bituminous coal (thous. net tons)	3,826	n.a.	4,092†	4,338	n.a.	4,594†	61.5	n.a.	65.1†
Construction contracts awarded (mil. dols.)									
Total	873.9	917.1	769.9*	668.5	897.1	698.3*	207.8	278.8	217.1*
Residential building	464.7	359.7	385.4*	363.1	309.8	322.4*	258.0	220.2	229.0*
Nonresidential building	278.9	372.2	185.6*	201.9	367.6	176.9*	186.1	338.8	163.1*
Nonbuilding (utilities and public works)	130.3	185.1	188.9*	103.5	219.7	199.0*	142.8	303.1	274.5*
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,453	5,526	5,423	5,298	5,386	5,284	110.2	112.1	110.0
Unemployed									
No. of persons (thous.)	335	303	366	322	315	377	80.2	78.5	94.1
Rate (percentage of labor force)	5.8	5.2	6.3						
Rate, seasonally adjusted				5.7	5.5	6.6			
Civilian labor force, no. of persons (thous.)	5,787	5,829	5,789	5,620	5,701	5,661	107.9	109.5	108.7
Initial claims for unemployment benefits	93,945	63,113	82,335	88,357	80,122	105,325	61.7	56.0	73.6

Consumer Prices, all items	Urban Indexes (1967 = 100)			Percentage Change	
	1987		1986	*Month*	*Year*
	July	*August*	*August*	*Ago*	*Ago*
U.S. city average	340.8	342.7	328.6	+0.6	+4.3
Philadelphia	339.1	342.2	323.1	+0.9	+5.9
Pittsburgh	n.a.	341.7	330.1	n.a.	+3.5

[1] Total includes workers on strike. * = figure revised † = figure for July 1986 n.a. = data not available

SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

of Pennsylvania's favorable geographic location and recent improvements in our infrastructure network, especially our system of roads and highways, which allows for more efficient transportation and shipment of final and intermediate goods. So, in a nutshell, while the employment and job numbers do suggest that the Pennsylvania economy is growing, we are failing to improve our standing relative to the nation as a whole.

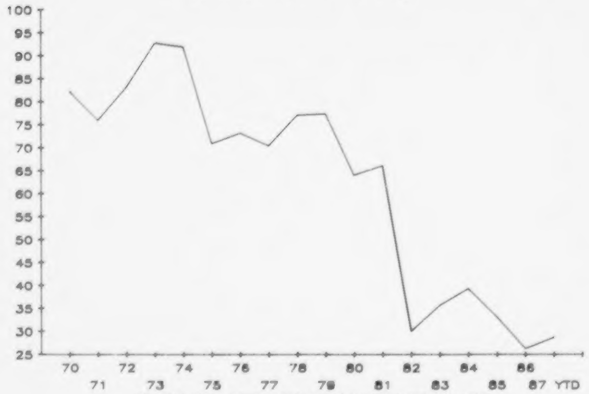
Other indicators also point towards an expanding economy in the Commonwealth. On the manufacturing front, **total hours worked, the average workweek, and total payrolls each rose during August. Electricity sales to industry, a reliable barometer of industrial production, rose for the fourth straight month** after adjusting for seasonality. Additionally, **average daily steel production rose,** just as it has been doing since the resolution of the USX labor dispute. However, as shown in the accompanying chart, steel output in Pennsylvania is still far below the healthy levels of several years ago.

Construction indicators also pointed up during August as job levels and the value of contracts awarded both rose. The gain in contract awards was the result of a strong showing in the nonresidential building and nonbuilding categories. The value of residential awards fell for the month.

The fourth straight monthly increase in the Pennsylvania index of leading indicators suggests that **the economy is in little danger of slumping in the near-term.** It is quite possible that the current strength being shown in the economy will continue for at least a few more months. Still, even if this occurs, when stacked upon a rather sluggish first half of the year, the end result will be moderate growth for 1987 as a whole.

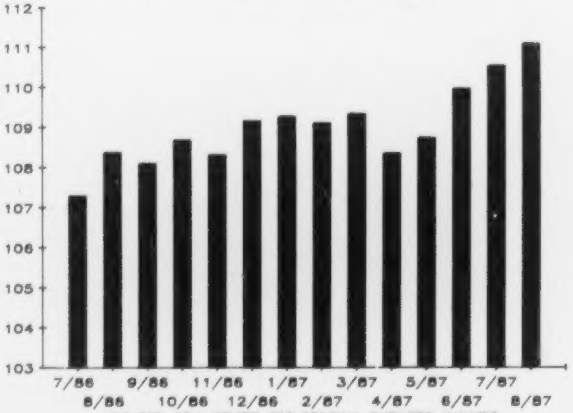
— *William D. Anderson*

PA AVERAGE DAILY STEEL PRODUCTION
(thousands of tons)



SOURCE: PSU, CENTER FOR REGIONAL BUSINESS ANALYSIS

PENNSYLVANIA COMPOSITE INDEX
OF LEADING INDICATORS
(Jan 1972=100)



SOURCE: PSU, CENTER FOR REGIONAL BUSINESS ANALYSIS

Penn State Football Contributes to Local Economy

Direct expenditures by out-of-town fans attending Penn State football games in 1986 contributed more than $20 million dollars to the State College regional economy. When "indirect" expenditures are taken into account as the original outlays circulate through the economy, total expenditures amount to over $40 million. Clearly, football-related expenditures by these fans, defined as those living at least 25 miles from State College, represent a significant injection into the local economy.

As shown in the accompanying table, stadium expenses for such items as tickets, parking, and programs, account for the bulk of expenditures. However, expenditures in local restaurants, for lodging, and for retail shopping also are in the seven-digit range. The table also illustrates the far-reaching impact of football. Not only does it help generate expenditures for such goods and services as those cited above, but it also results in outlays for such items as commercial transportation, food and beverages at retail outlets, entertainment, and child-care.

These figures underestimate the total "extra" economic impact of Penn State football on the State College region. They do not take into account the expenditures "kept home" that might have been made elsewhere by local fans, including University Park students, in the absence of football. Also, fans traveling to and from games have an impact on regions outside the State College area as they make expenditures in these communities.

— *William D. Anderson*

(This is a summary of a paper dealing with the economic impact of Penn State football on the economy of the State College area during the 1986 season. The availability of the paper will be announced in an upcoming issue of the Survey.*)*

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Estimated expenditures by category and economic impacts of football weekends
(spent within 25-mile radius of State College by nonresidents)

Category	Expenditure Estimate
Stadium expenses	$ 8,283,600
Restaurants	2,693,100
Food and beverages in retail stores	588,100
Admission fees	103,400
Bars, night clubs, and lounges	743,200
Clothing and equipment for games	801,700
Other retail shopping	1,793,500
Lodging expenses	2,075,100
Personal and health expenses	41,300
Private auto expenses	984,800
Commercial transportation	247,800
Baby sitter fees	25,100
Equipment rentals	17,900
Donations	105,100
Other expenses	1,944,900
Total direct nonresident expenditures	$ 20,448,600
Multiplier for State College region	1.97
Total income generated for season	$ 40,283,700
Average income generated per game	$ 5,754,800

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